

Grand River Hospital District doing business as Grand River Health

Basic Financial Statements and
Independent Auditors' Reports

December 31, 2025 and 2024

Grand River Hospital District
doing business as Grand River Health
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grand River Hospital District
doing business as Grand River Health
Rifle, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Grand River Hospital District doing business as Grand River Health (the District) as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has not presented the management's discussion and analysis that GAAP requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The statement of budgeted and actual revenues and expenses (supplementary information) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

D3A PLLC

Spokane Valley, Washington
April 13, 2026

Grand River Hospital District
doing business as Grand River Health
Statements of Net Position
December 31, 2025 and 2024

ASSETS	2025	2024
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,707,237	\$ 1,378,717
Investments	63,959,710	62,749,845
Receivables:		
Patient accounts	11,564,805	10,175,671
Property taxes	19,695,773	22,166,889
Estimated third-party payor settlements	-	1,582,155
Other	2,325,669	1,689,326
Inventories	2,955,883	2,749,092
Prepaid expenses	2,157,660	1,674,995
Total current assets	105,366,737	104,166,690
<i>Noncurrent assets</i>		
Cash and cash equivalents restricted for Memorial Trust Fund	12,196	384,600
Cash and cash equivalents restricted for bond repayment	11,032,670	6,645,857
Investment in joint ventures	2,160,278	2,054,980
Depreciable capital assets, net	128,139,355	133,134,449
Nondepreciable capital assets	13,171,187	8,312,643
Split-dollar life insurance notes receivable	12,327,903	6,667,668
Total noncurrent assets	166,843,589	157,200,197
Total assets	\$ 272,210,326	\$ 261,366,887

See accompanying notes to financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Net Position (Continued)
December 31, 2025 and 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2025	2024
<i>Current liabilities</i>		
Accounts payable	\$ 1,415,075	\$ 2,015,297
Capital accounts payable	2,674,350	-
Accrued compensation and related liabilities	8,562,167	7,578,162
Accrued interest payable	287,824	304,157
Estimated third-party payor settlements	2,995,557	1,270,000
Current maturities of long-term debt and subscription liabilities	5,380,114	3,920,000
Total current liabilities	21,315,087	15,087,616
<i>Noncurrent liabilities</i>		
Long-term debt and subscription liabilities, net of current maturities	72,205,728	77,435,302
Total liabilities	93,520,815	92,522,918
<i>Deferred inflows of resources</i>		
Deferred property tax levy	19,549,360	22,054,893
<i>Net position</i>		
Net investment in capital assets	61,050,350	60,891,790
Restricted for Memorial Trust Fund	12,196	384,600
Restricted for bond repayment	11,032,670	6,645,857
Unrestricted	87,044,935	78,866,829
Total net position	159,140,151	146,789,076
Total liabilities, deferred inflows of resources, and net position	\$ 272,210,326	\$ 261,366,887

See accompanying notes to financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
<i>Operating revenues</i>		
Net patient service revenue	\$ 107,282,100	\$ 106,139,712
340B contract pharmacy program revenue	7,337,676	4,301,911
Other revenues	1,431,222	1,823,855
Total operating revenues	116,050,998	112,265,478
<i>Operating expenses</i>		
Salaries and wages	62,837,872	58,930,798
Employee benefits	12,253,281	11,961,670
Professional fees and other purchased services	8,059,108	8,007,888
Supplies	19,022,153	16,566,384
Depreciation and amortization	9,913,605	9,901,337
Utilities	1,586,427	1,493,968
Repairs and maintenance	8,248,124	7,960,547
Provider fees	2,181,280	2,011,345
Other	4,594,430	4,811,389
Total operating expenses	128,696,280	121,645,326
<i>Operating loss</i>	(12,645,282)	(9,379,848)
<i>Nonoperating revenues (expenses)</i>		
Taxation for operations	11,186,397	17,114,511
Taxation for bond principal and interest	12,603,817	11,954,432
Tax collection expense	(413,921)	(616,792)
Investment income	4,187,145	3,832,217
Contributions	351,144	168,184
Interest expense	(2,918,225)	(3,017,590)
Total nonoperating revenues (expenses), net	24,996,357	29,434,962
Change in net position	12,351,075	20,055,114
Net position, beginning of year	146,789,076	126,733,962
Net position, end of year	\$ 159,140,151	\$ 146,789,076

See accompanying notes to financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
<i>Change in Cash and Cash Equivalents</i>		
<i>Cash flows from operating activities</i>		
Receipts from and on behalf of patients	\$ 116,538,354	\$ 110,258,862
Other receipts	794,879	884,830
Payments to and on behalf of employees	(79,767,383)	(76,646,960)
Payments to suppliers and contractors	(44,981,200)	(41,374,415)
Net cash from operating activities	(7,415,350)	(6,877,683)
<i>Cash flows from noncapital financing activities</i>		
Taxation for operations	11,151,980	17,306,257
Payments for tax collection	(413,921)	(616,792)
Contributions	351,144	168,184
Net cash from noncapital financing activities	11,089,203	16,857,649
<i>Cash flows from capital and related financing activities</i>		
Purchase of capital assets	(6,148,681)	(4,094,107)
Principal paid on long-term debt	(3,920,000)	(3,735,000)
Taxation for bond principal and interest	12,603,817	11,954,432
Interest paid	(3,738,042)	(3,836,638)
Net cash from capital and related financing activities	(1,202,906)	288,687
<i>Cash flows from investing activities</i>		
Purchase of investments	(12,500,000)	(8,000,000)
Sales of investments	10,750,000	-
Interest on investments	4,621,982	1,099,408
Net cash from investing activities	2,871,982	(6,900,592)
Net change in cash and cash equivalents	5,342,929	3,368,061
Cash and cash equivalents, beginning of year	8,409,174	5,041,113
Cash and cash equivalents, end of year	\$ 13,752,103	\$ 8,409,174

Noncash Capital Financing Activities

During the year ended December 31, 2025, the District recorded right-of-use assets of \$1,435,329, including prepayments, and subscription liabilities of \$954,024 for subscription-based information technology arrangements entered into during the year.

See accompanying notes to financial statements.

Grand River Hospital District
doing business as Grand River Health
Statements of Cash Flows (Continued)
Years Ended December 31, 2025 and 2024

	2025	2024
<i>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</i>		
Cash and cash equivalents in current assets	\$ 2,707,237	\$ 1,378,717
Cash and cash equivalents restricted for Memorial Trust Fund	12,196	384,600
Cash and cash equivalents restricted for bond repayment	11,032,670	6,645,857
Total cash and cash equivalents	\$ 13,752,103	\$ 8,409,174
<i>Reconciliation of Operating Loss to Net Cash from Operating Activities</i>		
Operating loss	\$ (12,645,282)	\$ (9,379,848)
<i>Adjustments to reconcile operating loss to net cash from operating activities</i>		
Provision for bad debts	10,130,206	9,464,694
Depreciation and amortization	9,913,605	9,901,337
(Increase) decrease in assets:		
Receivables:		
Patient accounts, net	(11,519,340)	(8,777,807)
Estimated third-party payor settlements	1,582,155	(1,190,927)
Other	(636,343)	(939,025)
Inventories	(206,791)	141,476
Prepaid expenses	(482,665)	(486,864)
Split-dollar life insurance notes receivable	(5,660,235)	(6,667,668)
Increase (decrease) in liabilities:		
Accounts payable	(600,222)	(177,506)
Accrued compensation and related liabilities	984,005	913,176
Estimated third-party payor settlements	1,725,557	321,279
Net cash from operating activities	\$ (7,415,350)	\$ (6,877,683)

See accompanying notes to financial statements.

**Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements
Years Ended December 31, 2025 and 2024**

1. Reporting Entity and Summary of Significant Accounting Policies:

a. Reporting Entity

Grand River Hospital District doing business as Grand River Health (the District) owns and operates Grand River Medical Center, a 25-bed acute care hospital (the Hospital) in Rifle, Colorado. Additionally, the District operates Grand River Health Care Center (Nursing Home), Grand River Medical Clinics (primary and specialty clinics), and Grand River Health Clinic West. As a political subdivision of the state of Colorado, the District is exempt from income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law. The District is governed by a Board of Directors (the Board) consisting of seven community members elected by the residents of the District.

As required by accounting principles generally accepted in the United States of America (GAAP), the financial statements present the District – the primary government – and its component unit. The component unit discussed below is included in the District’s reporting entity because of the significance of its operations and financial relationship with the District. The Grand River Hospital District Memorial Trust Fund (the Trust Fund) is a component unit of the District since its trustees are appointed from the District’s Board.

The Trust Fund was established for the purpose of receiving and holding bequests and gifts to be distributed to the Hospital and the Nursing Home. Trustees of the Trust Fund are responsible for the appropriate disposition of funds. The Trust Fund’s restricted resources are distributed to the Hospital or the Nursing Home as required to comply with purposes specified by donors. The Trust Fund’s unrestricted resources are distributed to the Hospital or the Nursing Home in amounts and for purposes determined by the trustees. The Trust Fund is presented as a blended component unit of the District. The assets, liabilities, revenues, and expenses are included in the District’s financial statements. As of December 31, 2025 and 2024, the Trust Fund’s total assets were \$12,196 and \$384,600, respectively.

b. Summary of Significant Accounting Policies

Use of estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise fund accounting – The District’s accounting policies conform to GAAP as applicable to proprietary funds of governments. The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Inventories – Supply inventories are stated at cost, determined using the first-in, first-out method. Inventories consist of pharmaceutical, medical-surgical, and other supplies used in the operations of the District.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Prepaid expenses – Prepaid expenses are expenses paid during the year relating to expenses incurred in future periods. Prepaid expenses are amortized over the expected benefit period of the related expense. Prepaid expenses include prepaid insurance, prepaid equipment maintenance expenses, and other expenses.

Capital assets – It is the District’s policy to capitalize property and equipment over \$5,000 and having a useful life of at least one year; lesser amounts are expensed. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation.

Estimated useful lives are as follows:

Land improvements	5 to 15 years
Buildings and improvements	5 to 40 years
Fixed equipment	to 40 years
Major moveable equipment	2 to 20 years
Subscription assets	3 years

Compensated absences – Accrued compensation and related liabilities includes accruals for compensated absences. The District’s policies permit most employees to accumulate vacation benefits that may be realized as paid time off, or in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. The District also permits employees not eligible for vacation benefits to accrue paid sick leave. Accruals for vacation are fully vested and are calculated by multiplying the vacation hours earned by the employee wage rates for each employee. Accruals for sick leave are not vested and are estimated based on the amount of the accrued hours expected to be used by the employees. For all accruals for compensated absences, payroll-related expenses, such as employer payroll taxes and retirement contributions, that relate to the compensated absences, are also estimated and accrued.

Net position – The net position of the District is classified into three components. *Net investment in capital assets* consists of the District’s capital assets net of accumulated depreciation and amortization and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is composed of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. *Unrestricted net position* is composed of remaining net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

Operating revenues and expenses – The District’s statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions, including grants for specific operating activities, associated with providing healthcare services – the District’s principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

1. Reporting Entity and Summary of Significant Accounting Policies (continued):

b. Summary of Significant Accounting Policies (continued)

Restricted resources – When the District has both restricted and unrestricted resources available to finance a particular program, it is the District’s policy to use restricted resources before unrestricted resources.

Grants and contributions – From time to time, the District receives grants from the state of Colorado and others as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts restricted for capital acquisitions are reported after nonoperating revenues and expenses. Grants that are restricted for specific projects or purposes related to the District’s operating activities are reported as operating revenue. Grants that are used to subsidize operating deficits are reported as nonoperating revenue. Contributions, except for capital contributions, are reported as nonoperating revenue.

Upcoming accounting pronouncements – In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which increases the usefulness of governments’ financial statements by improving definitions and disclosures related to management’s discussion and analysis, unusual or infrequent items, and nonoperating revenue. It also changes presentation requirements for component units and budgetary comparison information. These changes will improve the comparability of the financial statements. The new guidance is effective for the District’s year ended December 31, 2026, although earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

Subsequent events – The District has evaluated subsequent events through April 13, 2026, the date on which the financial statements were available to be issued.

2. Bank Deposits and Investments:

Deposits – The Colorado Public Deposit Protection Act (CPDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance at each institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any excess of deposits over the FDIC limit not insured is covered by collateral pledged by the financial institution in accordance with the CPDPA.

Custodial credit risk is the risk that, in the event of a depository institution failure, the District’s deposits may not be returned. The District does not have a deposit policy for custodial credit risk.

Investments – Colorado State statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, banker’s acceptance notes, commercial paper, corporate securities, repurchase agreements, money market funds, and guaranteed investment contracts. All investments must be held by the District, in its name, or in the custody of a third party on behalf of the local government.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

2. Bank Deposits and Investments (continued):

Investments (continued) – The District invests in commercial paper, U.S. agencies obligations, U.S. Treasury notes, municipal bonds, and money market mutual funds. All funds are pooled, and a designated custodian provides safekeeping and depository service in connection with direct investment and withdrawal functions. Management believes there is no significant custodial, interest rate, or foreign currency risk exposure.

Concentration of credit risk – Concentration of credit risk is defined as the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from single issuer). The District does not have a policy limiting the amount it may invest in any one issuer or multiple issuers.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates could adversely affect an investment's fair value.

The District's investments consisted of:

		2025		
		Fair Value	Investment Maturities (in Years)	
			Less Than One	One to Five
Commercial paper	\$	32,316,046	\$ 7,969,767	\$ 24,346,279
U.S. agencies obligations		6,987,280	-	6,987,280
U.S. Treasury notes		15,079,708	15,079,708	-
Municipal bonds		5,348,522	-	5,348,522
Money market mutual funds		4,228,154	4,228,154	-
	\$	63,959,710	\$ 27,277,629	\$ 36,682,081

		2024		
		Fair Value	Investment Maturities (in Years)	
			Less Than One	One to Five
Commercial paper	\$	25,692,111	\$ 14,974,825	\$ 10,717,286
U.S. agencies obligations		21,562,758	12,627,647	8,935,111
U.S. Treasury notes		15,058,652	-	15,058,652
Money market mutual funds		436,324	436,324	-
	\$	62,749,845	\$ 28,038,796	\$ 34,711,049

The District's investment ratings are based on Moody's Investor's Service ratings. AAA is the highest credit quality rating issued by Moody's Investor Service. The District's investments in commercial paper ranged from AA3 to AAA. Investments in money market mutual funds are not rated.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

2. Bank Deposits and Investments (continued):

Fair value measurements – The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Investments in money market mutual funds are valued using quoted market prices (Level 1 inputs). Investments in commercial paper, U.S. Treasury notes, U.S. agencies obligations, and municipal bonds are valued using observable inputs from similar investments (Level 2 inputs).

3. Patient Accounts Receivable:

Patient accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectibility of patient accounts receivable, the District analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and a provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the District analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which include both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the District records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The District's allowance for uncollectible accounts has not significantly changed from the prior year. The District does not maintain a material allowance for uncollectible accounts from third-party payors, nor did it have significant writeoffs from third-party payors.

Patient accounts receivable reported as current assets by the District were as follows:

	2025	2024
Receivable from patients and their insurance carriers	\$ 14,456,254	\$ 15,241,233
Receivable from Medicare	5,135,079	4,091,150
Receivable from Medicaid	1,128,687	984,750
Total patient accounts receivable	20,720,020	20,317,133
Less allowance for uncollectible accounts	9,155,215	10,141,462
Patient accounts receivable, net	\$ 11,564,805	\$ 10,175,671

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

4. Split-Dollar Life Insurance Notes Receivable:

In 2024, the District began offering a new retirement benefit to leadership and physicians at the Hospital. The benefit is structured to provide tax-free retirement, life insurance, and potential loans to participating employees.

Under the plan, the District purchases two whole life insurance policies. The first is a cash accumulation policy that builds a large cash surrender value through premium payments and market returns. The District pays the premiums on behalf of the employee and records a note receivable for the eventual repayment of those premiums from the employee.

The second policy is a cost recovery policy for which the District also makes the premium payments. The employee is the beneficiary and insured. The District records a note receivable for these payments as well. The District's note receivable is collateralized by this second policy, which the employee may not cancel unless the note owed to the District has been repaid. The note receivable will be repaid with the proceeds of the insurance policy upon death of the beneficiary, and the remaining proceeds will go to the estate of the employee. Both notes accumulate interest based on IRS rates.

5. Investment in Joint Ventures:

The District has investments in various joint ventures with ownership ranging between 2 percent and 12 percent. The main purpose of these investments are to share services with other members, and not primarily to generate income or cash; therefore, management has elected to use the equity method of accounting to record and report each of the joint ventures.

The District's joint venture investments are as follows:

	2025	
	Ownership Percentage	Equity Interest
Healthcare Management, LLC	12%	\$ 671,762
Careflight of the Rockies, LLC	4%	464,565
Cardiac Catheterization Laboratories Program at St. Mary's Hospital & Medical Center	2%	1,023,951
Total investment in joint ventures		\$ 2,160,278

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

5. Investment in Joint Ventures (continued):

	2024	
	Ownership Percentage	Equity Interest
Healthcare Management, LLC	12%	\$ 806,800
Careflight of the Rockies, LLC	4%	383,338
Cardiac Catheterization Laboratories Program at St. Mary's Hospital & Medical Center	2%	864,842
Total investment in joint ventures		\$ 2,054,980

6. Capital Assets:

A schedule of changes in capital assets follows:

	Balance December 31, 2024	Additions	Retirements	Transfers	Balance December 31, 2025
<i>Nondepreciable capital assets</i>					
Land	\$ 6,829,930	\$ -	\$ -	\$ -	\$ 6,829,930
Construction in progress	1,482,713	8,408,683	-	(3,550,139)	6,341,257
Total nondepreciable capital assets	8,312,643	8,408,683	-	(3,550,139)	13,171,187
<i>Capital assets being depreciated or amortized</i>					
Land improvements	4,191,286	-	-	32,000	4,223,286
Buildings and improvements	155,382,160	-	-	520,986	155,903,146
Fixed equipment	23,146,522	-	(61,481)	142,950	23,227,991
Major moveable equipment	54,484,528	-	(1,828,193)	2,854,203	55,510,538
Subscription assets	-	1,435,329	-	-	1,435,329
Total capital assets being depreciated or amortized	237,204,496	1,435,329	(1,889,674)	3,550,139	240,300,290
<i>Less accumulated depreciation and amortization for</i>					
Land improvements	1,420,733	350,170	-	-	1,770,903
Buildings and improvements	48,875,502	5,927,808	-	-	54,803,310
Fixed equipment	6,807,836	1,262,275	(61,481)	-	8,008,630
Major moveable equipment	46,965,976	2,157,900	(1,761,236)	-	47,362,640
Subscription assets	-	215,452	-	-	215,452
Total accumulated depreciation and amortization	104,070,047	9,913,605	(1,822,717)	-	112,160,935
<i>Total capital assets being depreciated or amortized, net</i>	133,134,449	(8,478,276)	(66,957)	3,550,139	128,139,355
Capital assets, net	\$ 141,447,092	\$ (69,593)	\$ (66,957)	\$ -	\$ 141,310,542

Construction in progress at December 31, 2025, consisted of construction of a new medical office building, expected to be completed in 2027 with additional costs to complete of approximately \$65,000,000, funded through General Obligation Bonds, Series 2026, issued in February 2026.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

6. Capital Assets (continued):

	Balance December 31,				Balance December 31,	
	2023	Additions	Retirements	Transfers	2024	
<i>Nondepreciable capital assets</i>						
Land	\$ 6,829,930	\$ -	\$ -	\$ -	\$ 6,829,930	
Construction in progress	8,594,546	3,570,508	-	(10,682,341)	1,482,713	
Total nondepreciable capital assets	15,424,476	3,570,508	-	(10,682,341)	8,312,643	
<i>Depreciable capital assets</i>						
Land improvements	4,170,956	-	-	20,330	4,191,286	
Buildings and improvements	148,370,676	-	-	7,011,484	155,382,160	
Fixed equipment	22,730,106	-	-	416,416	23,146,522	
Major moveable equipment	51,411,258	-	(160,841)	3,234,111	54,484,528	
Total depreciable capital assets	226,682,996	-	(160,841)	10,682,341	237,204,496	
<i>Less accumulated depreciation for</i>						
Land improvements	1,074,286	346,447	-	-	1,420,733	
Buildings and improvements	43,052,204	5,823,298	-	-	48,875,502	
Fixed equipment	5,552,376	1,255,460	-	-	6,807,836	
Major moveable equipment	44,649,235	2,476,132	(159,391)	-	46,965,976	
Total accumulated depreciation	94,328,101	9,901,337	(159,391)	-	104,070,047	
<i>Total depreciable capital assets, net</i>	132,354,895	(9,901,337)	(1,450)	10,682,341	133,134,449	
Capital assets, net	\$ 147,779,371	\$ (6,330,829)	\$ (1,450)	\$ -	\$ 141,447,092	

7. Healthcare Self-insurance:

The District partially self-insures the cost of employee healthcare benefits as it purchases annual stop-loss insurance coverage for all claims in excess of \$150,000 per individual. An accrual for claims that have been incurred but not reported is included in the statements of net position in accrued compensation and related liabilities. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Changes in the District's claim liability were as follows:

	2025	2024
Claim liability, beginning of year	\$ 953,911	\$ 551,508
Current year claims and changes in estimates	12,043,988	10,013,080
Claims payments	(11,526,899)	(9,610,677)
Claim liability, end of year	\$ 1,471,000	\$ 953,911

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

8. Long-term Debt:

A schedule of changes in the District's long-term debt follows:

	Balance December 31, 2024			Additions	Reductions	Balance December 31, 2025			Amounts Due Within One Year
General Obligation Bonds, Series 2018	\$	70,110,000	\$	-	\$ (3,920,000)	\$	66,190,000	\$	4,115,000
Bond premium, 2018		10,445,302		-	(803,484)		9,641,818		-
Subscription liabilities		-		954,024	-		954,024		465,114
Long-term note payable		800,000		-	-		800,000		800,000
Total long-term debt	\$	81,355,302	\$	954,024	\$ (4,723,484)	\$	77,585,842	\$	5,380,114

	Balance December 31, 2023			Additions	Reductions	Balance December 31, 2024			Amounts Due Within One Year
General Obligation Bonds, Series 2018	\$	73,845,000	\$	-	\$ (3,735,000)	\$	70,110,000	\$	3,920,000
Bond premium, 2018		11,248,787		-	(803,485)		10,445,302		-
Long-term note payable		-		800,000	-		800,000		-
Total long-term debt	\$	85,093,787	\$	800,000	\$ (4,538,485)	\$	81,355,302	\$	3,920,000

The terms of the District's long-term debt are as follows:

- The General Obligation Bonds Series 2018 (the Bonds) in the original amount of \$89,400,000 are secured by the District's full faith and credit. The bonds mature annually at amounts ranging from \$4,115,000 in 2026 to \$7,195,000 in 2037, with semiannual interest payments at rates ranging from 5 percent to 5.25 percent.
 - The Bonds are general obligations of the District and are secured by an irrevocable pledge of the District to levy and collect taxes each year sufficient to pay the bond principal and interest payments when due. The District's Board approved the Bonds and a special levy to pay the principal and interest. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.
- Note payable to Rocky Mountain Health Maintenance Organization for the repayment of advance funding, in the original amount of \$800,000. The note does not bear interest, and the balance is due in March 2026.
- Various subscription liabilities payable in annual installments ranging between \$183,668 and \$284,981, including interest at 5 percent, through 2027.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

8. Long-term Debt (continued):

Scheduled principal and interest repayments are as follows:

Years Ending December 31,	General Obligation Bonds and Note Payable	
	Principal	Interest
2026	\$ 4,915,000	\$ 3,453,888
2027	4,320,000	3,248,138
2028	4,540,000	3,032,138
2029	4,775,000	2,793,788
2030	5,025,000	2,543,100
2031-2035	29,385,000	7,930,795
2036-2037	14,030,000	114,313
	\$ 66,990,000	\$ 23,116,160

Years Ending December 31,	Subscription Liabilities	
	Principal	Interest
2026	\$ 465,114	\$ 37,386
2027	488,910	13,594
	\$ 954,024	\$ 50,980

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

9. Net Patient Service Revenue:

The District recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the District recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the District's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the District records a significant provision for bad debts related to uninsured patients in the period the services are provided. The District's provisions for bad debts and writeoffs have not significantly changed from the prior year. The District has not changed its charity care or uninsured discount policies during fiscal years 2025 or 2024. Patient service revenue, net of contractual adjustments and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows.

	2025	2024
Patient service revenue (net of contractual adjustments and discounts):		
Medicare	\$ 42,811,264	\$ 44,988,293
Medicaid	18,410,532	17,909,666
Other third-party payors	38,423,808	34,228,362
Patients	17,165,640	15,929,751
Supplemental payments	6,809,086	6,996,539
	123,620,330	120,052,611
Less:		
Charity care	6,208,024	4,448,205
Provision for bad debts	10,130,206	9,464,694
	107,282,100	106,139,712
Net patient service revenue	\$ 107,282,100	\$ 106,139,712

The District has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – The Hospital has been designated a critical access hospital, and Grand River Primary Care Clinic in Rifle and Grand River Health Clinic West (the Clinics) as rural health clinics by Medicare. The Hospital and Clinics are reimbursed on a cost basis as defined and limited by the Medicare program. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare administrative contractor. Nonrural health clinic physician services are reimbursed on a fee schedule. The District is reimbursed for skilled nursing facility services under a prospective payment system.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

9. Net Patient Service Revenue (continued):

- **Medicaid** – Hospital services rendered to Medicaid program beneficiaries are paid on a prospective payment system. Skilled nursing services are paid on prospectively determined rates per day. Rural health clinic encounters are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by Medicaid. Physician services are reimbursed on a fee schedule.
- **Other** – The District has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue increased by approximately \$692,000 in the year ended December 31, 2025, due to differences between original estimates and final settlements.

Under the Colorado Health Care Affordability Act (Act), the District pays provider fees to the state of Colorado. The provider fees are based on inpatient days and outpatient charges. The District also receives various supplemental payments from the state of Colorado under this Act.

The District provides charity care to patients who are financially unable to pay for the healthcare services they receive. The District's policy is not to pursue collection of amounts determined to qualify as charity care. Accordingly, the District does not report these amounts in net operating revenues or in the allowance for uncollectible accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including salaries and wages, benefits, supplies, and other operating expenses, based on data from the Medicare cost report. The costs of caring for charity care and uninsured patients were approximately \$3,282,000 and \$2,477,000 for the years ended December 31, 2025 and 2024, respectively. The District received approximately \$6,809,000 and \$6,997,000 from supplemental Medicaid payments and the Colorado Indigent Care Program for the years ended December 31, 2025 and 2024, respectively, to subsidize the cost of caring for charity care patients and to cover the gap where cost of caring for Medicaid patients exceeds Medicaid payments.

10. Property Taxes:

The Garfield County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually in December on property values assessed as of the same date. Assessed values are established by the County Assessor at fair market value. A revaluation of all property is required every two years. Ad valorem tax revenue is recognized in the period assessed to the extent such taxes are collected and available for use. The District received approximately 16 and 18 percent of its financial support from ad valorem taxes in 2025 and 2024, respectively.

Taxes are due in either two equal installments on February 28 and June 16, or in one installment on April 30. Collections are distributed monthly to the District by the County Treasurer.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

10. Property Taxes (continued):

The District is permitted by law to levy up to \$5.597 per \$1,000 of assessed valuation for general District purposes. Colorado State Law, C.R.S. 39-5-121 and 39-5-128, limits the rate. The District may also levy taxes at a lower rate. Further amounts of tax need to be authorized by the vote of the people. The District's bond levy, approved by the voters will be used to pay the principal and interest on the Bonds.

The District's regular and bond levy were as follows:

	2025	2024
Total assessed valuation	\$ 1,358,349,020	\$ 1,833,042,520
Regular tax levy per \$1,000 of total assessed valuation	5.597	5.597
Total regular levy	\$ 7,602,679	\$ 10,259,539
Bond levy per \$1,000 of total assessed valuation	8.795	6.450
Total bond levy	\$ 11,946,680	\$ 11,823,124

Property taxes are recorded as receivables when levied. Since state law allows for the sale of property for failure to pay taxes, no estimate of uncollectible taxes is made.

Deferred inflows of resources are recorded when the taxes are levied and recognized as tax revenues in the following fiscal year.

11. Deferred Compensation and Defined Contribution Plans:

The District participates in the Grand River Hospital District 457 Deferred Compensation Plan, a deferred compensation retirement plan in accordance with IRC Section 457 (the 457 Plan) administered by One America Financial Partners, Inc. All full-time and part-time employees are eligible to participate in the 457 Plan through pre-tax payroll deductions. All monies are sent to the 457 account that has been set up for the employee each pay period and are vested immediately. The 457 Plan is available for all District employees and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their heirs until termination, retirement, death, or unforeseen emergency. Total employee contributions to the 457 Plan during 2025 and 2024 were \$3,657,232 and \$3,402,732, respectively.

The District provides pension benefits through the Grand River Hospital District Employer Retirement Plan (the 401a Plan), a defined contribution plan, under section 401(a) of the IRC. The plan is administered by the District. In a defined contribution plan, benefits depend solely on amounts contributed by the District to the plan plus investment earnings. After one year of service, the District will match 3 percent of salary for full-time and part-time employees who have contributed to the 457 Plan, and 5 percent of salary after five years of service. Total employer contributions to the 401a Plan during 2025 and 2024 were \$1,912,082 and \$1,779,979, respectively.

Benefit terms including contribution requirements are established and may be amended by the District.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

12. Risk Management and Contingencies:

Risk management – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage for any of the three preceding years.

Medical malpractice claims – The District has its professional liability insurance with Copic Insurance (Copic). The Copic policy provides protection on a “claims-made” basis whereby only malpractice claims reported to the insurance carriers in the current year are covered by the current policies. If there are unreported incidents which result in a malpractice claim in the current year, such claims would be covered in the year the claim was reported to the insurance carrier only if the District purchased claims-made insurance in that year or the District purchased “tail” insurance to cover claims incurred before but reported to the insurance carrier after cancellation or expiration of a claims-made policy.

The malpractice insurance provides \$1,000,000 per claim with an additional aggregate limit of \$3,000,000. The policy has a \$100,000 deductible per claim.

No liability has been accrued for future coverage of acts, if any, occurring in this or prior years. Also, it is possible that claims may exceed coverage available in any given year. Further, the District is subject to provisions of the Colorado Governmental Immunity Act which provides a limitation on the liability of the District.

Industry regulations – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by healthcare providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the District is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the District is found in violation of these laws, the District could be subject to substantial monetary fines, civil and criminal penalties, and exclusion from participation in the Medicare and Medicaid programs.

Taxpayer’s Bill of Rights – Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.

Grand River Hospital District
doing business as Grand River Health
Notes to Financial Statements (Continued)
Years Ended December 31, 2025 and 2024

13. Concentration of Credit Risk:

Patient accounts receivable – The District grants credit without collateral to its patients, most of whom are area residents and are insured under third-party agreements. The following is the mix of receivables from patients and third-party payors:

	2025	2024
Medicare	35 %	31 %
Medicaid	12	13
Other third-party payors	26	26
Patients	27	30
	100 %	100 %

Physicians – The District is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on District operations.

14. Budget and Actual Revenues and Expenses:

The District overspent its approved budget by approximately \$281,000 in 2025.

15. Subsequent Event:

On February 11, 2026, the District issued \$65,000,000 in General Obligation Bonds, Series 2026, for the construction of a new medical office building. Principal payments are due in annual installments ranging from \$555,000 to \$8,430,000 through 2045. Interest at 6 percent is payable semiannually on June 1 and December 1 of each year.

The Series 2026 Bonds are general obligations of the District and are secured by an irrevocable pledge of the District to levy and collect taxes each year sufficient to pay the bond principal and interest payments when due. The District's Board approved the Bonds and a special levy to pay the principal and interest in December 2025. Tax receipts limited for bond redemption and interest are used to pay the principal and interest each year.

SUPPLEMENTARY INFORMATION

Grand River Hospital District
doing business as Grand River Health
Budget and Actual Revenues and Expenses
Year Ended December 31, 2025

	Actual	Preliminary and Final Approved Budget	Favorable (Unfavorable) Variance
<i>Operating revenues</i>			
Net patient service revenue	\$ 107,282,100	\$ 108,292,062	\$ (1,009,962)
340(B) contract pharmacy and other revenue	8,768,898	6,739,700	2,029,198
Total operating revenues	116,050,998	115,031,762	1,019,236
<i>Operating expenses</i>			
Salaries and wages	62,837,872	61,062,506	(1,775,366)
Employee benefits	12,253,281	14,286,882	2,033,601
Professional fees and other purchased services	8,059,108	7,998,588	(60,520)
Supplies	19,022,153	18,119,785	(902,368)
Depreciation and amortization	9,913,605	9,010,032	(903,573)
Utilities	1,586,427	1,778,739	192,312
Other	15,023,834	16,158,563	1,134,729
Total operating expenses	128,696,280	128,415,095	(281,185)
<i>Operating loss</i>	(12,645,282)	(13,383,333)	738,051
<i>Nonoperating revenues (expenses)</i>			
Taxation	23,376,293	23,254,893	121,400
Investment income	4,187,145	2,575,000	1,612,145
Contributions	351,144	194,000	157,144
Interest expense	(2,918,225)	(4,114,986)	1,196,761
Total nonoperating revenues (expenses), net	24,996,357	21,908,907	3,087,450
Change in net position	\$ 12,351,075	\$ 8,525,574	\$ 3,825,501

See accompanying independent auditors' report.