Financial Statements
December 31, 2025 and 2024

# Kremmling Memorial Hospital District

# Kremmling Memorial Hospital District

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December 31, 2025 and 2024

**Independent Auditor's Report**

The Board of Directors
Kremmling Memorial Hospital District
Kremmling, Colorado

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Kremmling Memorial Hospital District dba Middle Park Health (the Hospital), which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

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

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Correction of Error***

As discussed in Note 10 to the financial statements, certain errors resulting in overstatement of amounts previously reported for assets and liabilities held on behalf of others, capital assets, other operating revenue, and depreciation expense for the year ended December 31, 2024, were discovered by management of the Hospital during the current year. Accordingly, amounts reported for assets and liabilities held on behalf of others, capital assets, other operating revenue, and depreciation expense have been restated in the 2024 financial statements now presented, and an adjustment has been made to net position as of December 31, 2024, to correct the error. Our opinion is not modified with respect to that matter.



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***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 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 and *Government Auditing Standards*, 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 Hospital'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 Hospital'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 omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's basic financial statements. The budget to actual schedule is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budget to actual schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2026, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Eide Bailly LLP

Denver, Colorado
April 30, 2026

| | 2025 | 2024 (Restated) |
|---|---|---|
| Current Assets | | |
| Cash and cash equivalents | $ 18,844,247 | $ 24,412,116 |
| Current portion of deposits restricted by trustee | - | 2,986,966 |
| Receivables | | |
| Patient, net of estimated uncollectibles of approximately $7,588,000 in 2025 and $6,432,000 in 2024 | 14,797,485 | 12,188,984 |
| Estimated third-party payor settlements | 1,405,119 | 186,557 |
| Property tax and other | 1,531,421 | 993,383 |
| Supplies | 1,797,019 | 1,391,371 |
| Prepaid expenses and other | 572,987 | 376,710 |
| Total current assets | 38,948,278 | 42,536,087 |
| Noncurrent Cash | | |
| Restricted by trustee for specified purposes | 5,460,200 | 12,820,756 |
| Board designated | 1,000,002 | 500,000 |
| Total noncurrent cash | 6,460,202 | 13,320,756 |
| Capital Assets | | |
| Capital assets not being depreciated | 5,360,121 | 26,142,857 |
| Depreciable capital assets, net | 64,055,672 | 30,317,382 |
| Right to use leased assets, net | 915,406 | 1,656,619 |
| Total capital assets, net | 70,331,199 | 58,116,858 |
| Total assets | 115,739,679 | 113,973,701 |
| Deferred Outflow of Resources | | |
| Refunding costs | 504,303 | 525,243 |
| Total assets and deferred outflow of resources | $ 116,243,982 | $ 114,498,944 |

| | 2025 | 2024 (Restated) |
|---|---|---|
| Liabilities, Deferred Inflow of Resources, and Net Position | | |
| Current Liabilities | | |
| Current maturities of long-term debt | $ 1,397,442 | $ 700,128 |
| Accounts payable | | |
| Trade | 3,333,332 | 2,071,981 |
| Estimated third-party payor settlements | - | 485,574 |
| Patient refunds payable and other | 184,212 | 378,108 |
| Construction and retainage payable | 2,414,129 | 2,986,966 |
| Accrued salaries and wages | 3,453,356 | 2,863,923 |
| Total current liabilities | 10,782,471 | 9,486,680 |
| Noncurrent Liabilities | | |
| Long-term debt, less current maturities | 71,838,755 | 73,178,261 |
| Total liabilities | 82,621,226 | 82,664,941 |
| Deferred Inflow of Resources | | |
| Property taxes | 1,166,955 | 874,221 |
| Deferred revenue | 200,000 | 199,825 |
| Total deferred inflow of resources | 1,366,955 | 1,074,046 |
| Total liabilities and deferred inflow of resources | 83,988,181 | 83,738,987 |
| Net Position | | |
| Net investment in capital assets | (5,319,127) | (8,407,311) |
| Restricted | | |
| Expendable | 1,000,002 | 500,000 |
| Nonexpendable - debt reserve | 5,460,200 | 5,466,536 |
| Unrestricted | 31,114,726 | 33,200,732 |
| Total net position | 32,255,801 | 30,759,957 |
| Total liabilities, deferred inflow of resources, and net position | $ 116,243,982 | $ 114,498,944 |

| | 2025 | 2024 (Restated) |
|---|---|---|
| Operating Revenues | | |
| Net patient service revenue (net of provision for bad debts of $6,037,000 in 2025 and $7,032,000 in 2024) | $ 61,351,459 | $ 56,873,966 |
| Other revenue | 783,062 | 486,891 |
| Total operating revenues | 62,134,521 | 57,360,857 |
| Operating Expenses | | |
| Salaries and wages | 28,982,942 | 23,342,003 |
| Employee benefits | 7,202,991 | 6,321,321 |
| Professional fees and purchased services | 10,598,461 | 11,167,473 |
| Supplies | 4,882,879 | 5,092,843 |
| Insurance | 359,692 | 419,114 |
| Depreciation and amortization | 3,856,998 | 2,388,257 |
| Provider fees | 1,143,967 | 1,362,262 |
| Other | 3,024,021 | 2,456,793 |
| Total operating expenses | 60,051,951 | 52,550,066 |
| Operating Income | 2,082,570 | 4,810,791 |
| Nonoperating Revenues (Expenses) | | |
| Property tax revenue | 908,799 | 1,416,347 |
| Noncapital contributions and grants | 371,756 | 486,957 |
| Interest income | 874,678 | 1,771,282 |
| Interest expense | (4,723,416) | (4,470,768) |
| Debt issuance costs | (19,829) | (1,611,711) |
| Gain on disposal of assets | - | 11,835 |
| Nonoperating revenues (expenses), net | (2,588,012) | (2,396,058) |
| Revenues in Excess of (Less Than) Expenses Before Capital Contributions and Grants | (505,442) | 2,414,733 |
| Capital Contributions and Grants | 2,001,286 | - |
| Change in Net Position | 1,495,844 | 2,414,733 |
| Net Position, Beginning of Year | 30,759,957 | 28,345,224 |
| Net Position, End of Year | $ 32,255,801 | $ 30,759,957 |

| | 2025 | 2024 (Restated) |
|---|---|---|
| Operating Activities | | |
| Cash received from and on behalf of patients | $ 57,038,822 | $ 57,007,703 |
| Cash payments to and on behalf of employees | (35,790,396) | (29,714,631) |
| Cash payments to supplies and other contractors | (19,885,532) | (20,789,381) |
| Other operating receipts | 783,062 | 486,891 |
| Net Change In Cash From Operating Activities | 2,145,956 | 6,990,582 |
| Non-Capital Related Financing Activities | | |
| Property tax receipts | 1,199,608 | 1,235,498 |
| Non-capital contributions and grants | 371,756 | 486,957 |
| Net Change In Cash From Noncapital Related Financing Activities | 1,571,364 | 1,722,455 |
| Capital and Related Financing Activities | | |
| Construction and purchase of capital assets | (16,798,846) | (17,727,190) |
| Capital contributions and grants | 2,001,286 | - |
| Principal payments on long-term debt | (642,187) | (40,501,193) |
| Payments of debt issuance costs | - | (1,611,711) |
| Proceeds from issuance of long-term debt | - | 72,198,813 |
| Interest payments on long-term debt | (4,567,640) | (4,449,828) |
| Net Change In Cash From (Used for) Capital and Related Financing Activities | (20,007,387) | 7,908,891 |
| Investing Activity | | |
| Interest income | 874,678 | 1,783,117 |
| Change in Cash and Cash Equivalents | (15,415,389) | 18,405,045 |
| Cash and Cash Equivalents, Beginning of Year | 40,719,838 | 22,314,793 |
| Cash and Cash Equivalents, End of Year | $ 25,304,449 | $ 40,719,838 |

| | 2025 | 2024 |
|---|---|---|
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position | | |
| Cash and cash equivalents in current assets | $ 18,844,247 | $ 24,412,116 |
| Current portion of deposits restricted by trustee | - | 2,986,966 |
| Noncurrent cash and cash equivalents | 6,460,202 | 13,320,756 |
| Total cash and cash equivalents | $ 25,304,449 | $ 40,719,838 |

| | 2025 | 2024 (Restated) |
|---|---|---|
| Reconciliation of Operating Income to Net Cash From Operating Activities | | |
| Operating Income | $ 2,082,570 | $ 4,810,791 |
| Adjustments to reconcile operating loss to net cash used for operating activities | | |
| Depreciation and amortization | 3,856,998 | 2,388,257 |
| Provision for bad debts | 5,729,663 | 7,032,077 |
| Change in assets and liabilities | | |
| Patient receivables, net of provision for bad debts | (8,338,164) | (6,526,635) |
| Estimated third-party payor settlements | (1,704,136) | (371,705) |
| Other receivables | (535,938) | 363,918 |
| Supplies | (405,648) | (70,667) |
| Prepaid expenses and other | (196,277) | (517,596) |
| Accounts payable | 1,261,351 | (94,860) |
| Patient refunds payable | (193,896) | (461,588) |
| Accrued expenses | 589,433 | 438,590 |
| Net Change In Cash From Operating Activities | $ 2,145,956 | $ 6,990,582 |
| Supplemental Disclosure of Noncash Capital and Capital Related Financing Activities | | |
| Accounts payable for construction | $ - | $ 2,986,956 |
| Lease liability for the acquisition of a right to use leased asset | $ - | $ 793,032 |
| Equipment financed through lease arrangement | $ - | $ 839,559 |

## Note 1 - Reporting Entity and Summary of Significant Accounting Policies

The financial statements of Kremmling Memorial Hospital District dba Middle Park Health (Hospital) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Hospital are described below.

### Reporting Entity

The Hospital has an 18-bed critical care hospital, located in Kremmling, Colorado; a 7-bed critical care hospital, located in Granby, Colorado; an emergency and acute care facility in Fraser, Colorado, and rural health clinics located in Kremmling, Granby, Grand Lake, Walden, and Winter Park, Colorado. The Hospital provides healthcare services to Grand, Summit, and Jackson Counties. The Hospital District was created in 1973 as a political subdivision of the state of Colorado. As a political subdivision of the state of Colorado, the Hospital District is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Hospital is governed by a Board of Directors consisting of five members elected by the residents of the Hospital District. The Hospital is not a component unit of another government entity. The Hospital does not have any material component units.

The Hospital provides management services for the operation of Cliffview Assisted Living Center (Cliffview) under a management contract with the Grand County Housing Authority. Cliffview is not considered a component unit of the Hospital. For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions, and authorities. The Hospital has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Hospital are such that the exclusion would cause the Hospital's financial situation to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Hospital.

### Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

**Basis of Presentation**

The statement of net position displays the Hospital's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in the following components:

*Net investment in capital assets* consists of net capital assets reduced by the outstanding balances of any related debt obligations, lease liabilities, and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

*Restricted Net Position:*

*Restricted - expendable net position* results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

*Restricted – nonexpendable net position* is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Hospital's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include deposits and highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash. For purposes of the statement of cash flows, the Hospital considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

**Patient Receivables**

Patient receivables are uncollateralized patient and third party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

**Property Tax Receivable and Revenues**

Property tax receivable represents taxes certified by the Grand County Treasurer to be collected in the next fiscal year. Taxes are assessed on December 22 and are due in one installment on April 30 or in two installments on February 28 and June 15 of each year. Revenue from property taxes is recognized in the year for which the taxes are levied.

| | | |
|---|---|---|
| Lien date | – | January 1 |
| Levy date | – | January 1, succeeding year |
| Due dates | – | February 28 and June 15, succeeding year |

**Supplies**

Supplies are stated at lower of cost (first-in, first-out) or market and are expensed when used.

**Restricted Cash**

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash available for obligations classified as current liabilities are reported as current assets. Noncurrent cash is held for the 2024 series debt.

**Capital Assets**

Property and equipment acquisitions in excess of $5,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

| | |
|---|---|
| Land improvements | 5-40 years |
| Buildings and improvements | 5-40 years |
| Equipment | 3-20 years |
| Lease right-of-use assets - equipment | 3-10 years |
| Lease right-of-use assets - building | 3-20 years |

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position and are excluded from expenses in excess of revenues. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

**Right to Use Leased Assets**

Right to use leased assets are recognized at the lease commencement date and represent the Hospital's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

**Impairment of Long-Lived Assets**

The Hospital considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying value of assets is appropriate. No impairment was identified for the years ended December 31, 2025 and 2024.

**Deferred Outflow of Resources**

Deferred outflow of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resource (expense) until then. The deferred refunding costs are associated with the UMB Bank Loan. The deferred refunding costs are being amortized on a straight-line method over the remaining term of the refunded bonds. Amortization is included in interest expense in the financial statements.

**Lease Liabilities**

Lease liabilities represent the Hospital's obligation to make lease payments arising from leases. Lease liabilities are recognized as the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of the lease payments is discounted based on a borrowing rate determined by the Hospital.

**Self-Funded Health Insurance**

The Hospital provides for self-insurance reserves for estimated incurred but not reported claims for its self-funded employee health plan. These reserves, which are included in current liabilities on the statement of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

**Debt Issuance Costs**

Debt issuance costs are expensed as incurred.

**Compensated Absences**

The Hospital's employees earn paid time-off (PTO) days for vacation and sick leave at varying rates depending on years of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO upon termination. The Hospital also has accumulates paid time off related to extended illnesses. The liability for compensated absences is included with accrued salaries, wages, and employee benefits in the accompanying financial statements.

**Deferred Inflows of Resources**

Deferred inflows of resources represent an increase in net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are deferred property taxes and grants. Property taxes will be recognized as revenue in the year they are levied. Grants will be recognized as revenue in the year the grant requirements are satisfied.

**Operating Revenues and Expenses**

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Hospital result from exchange transactions associated with providing health care services – the Hospital's principal activity, and the costs of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as nonoperating.

**Net Patient Service Revenue**

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

**Charity Care**

The Hospital provides health care services to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Hospital does not pursue collection of these amounts, they are not reported as patient service revenue. The estimated cost of providing these services was approximately $30,000 and $64,000 for the years ended December 31, 2025 and 2024, calculated by multiplying the ratio of overall cost to charge for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

**Colorado Healthcare Affordability and Sustainability Enterprise**

The Hospital participates in the Colorado Healthcare Affordability and Sustainability Enterprise (CHASE), approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state are assessed a fee based on bed size and payor mix. The State of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the State of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Hospital paid approximately $1,163,000 and $1,362,000 in CHASE fees for the years ended December 31, 2025 and 2024, which were recorded in operating expenses. The Hospital received approximately $4,635,000 and $5,089,000 of supplemental payments for the years ended December 31, 2025 and 2024, which are recorded as part of net patient service revenue.

**Grants and Contributions**

The Hospital may receive grants 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 that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after expenses in excess of revenues.

**Budgets**

The Hospital adopts an annual budget in accordance with Colorado Statutes. The budgeted revenue and expenditures are used by management as a control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

## Note 2 - Net Patient Service Revenue

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

*Medicare.* The Hospital is licensed as a Critical Access Hospital (CAH). The Hospital is reimbursed for most acute services under a cost reimbursement methodology with final settlement determined after submission of annual cost reports by the Hospital and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Hospital's Medicare cost reports have been audited by the MAC through the year ended December 31, 2021. Clinical services are paid on a cost basis or fixed fee schedule.

*Medicaid.* Inpatient services and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

*Commercial.* The Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Clinical services are paid on a fixed fee schedule.

Concentration of gross revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended December 31, 2025 and 2024:

| | 2025 | 2024 |
|---|---|---|
| Medicare | 24% | 20% |
| Medicaid | 10% | 12% |
| Commercial | 60% | 60% |
| Self-pay | 6% | 8% |
| | 100% | 100% |

Laws and regulations governing the Medicare, Medicaid, and other 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 approximately $432,000 for the year ended December 31, 2025 and increased approximately $194,000 for the year ended December 31, 2024 due to final settlements, adjustments to amounts previously estimated, and years that are no longer likely subject to audits, reviews, and investigations.

## Note 3 - Deposits

The carrying amounts of deposits as of December 31, 2025 and 2024 are as follows:

| | 2025 | 2024 |
|---|---|---|
| Carrying amount | | |
| Cash and deposits | $ 25,304,449 | $ 40,719,838 |

Cash and deposits are reported in the following statement of net position captions:

| | 2025 | 2024 |
|---|---|---|
| Cash and cash equivalents | $ 18,844,247 | $ 24,412,116 |
| Restricted by trustee for debt reserve | 5,460,200 | 15,807,722 |
| Board designated | 1,000,002 | 500,000 |
| | $ 25,304,449 | $ 40,719,838 |

**Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank or investment company failure, the Hospital's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2025 and 2024, the Hospital's deposits in banks were entirely covered by federal depository insurance and PDPA.

## Note 4 - Capital Assets

Capital asset additions, retirements, transfers and balances for the year ended December 31, 2025 are as follows:

| | Balance December 31, 2024 (Restated) | Additions | Transfers and Retirements | Balance December 31, 2025 |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 4,541,453 | $ - | $ - | $ 4,541,453 |
| Construction in progress | 21,601,404 | 15,983,811 | (36,766,547) | 818,668 |
| Total capital assets not being depreciated | 26,142,857 | 15,983,811 | (36,766,547) | 5,360,121 |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 635,939 | 926,506 | - | 1,562,445 |
| Buildings and improvements | 36,254,522 | 33,005,702 | 98,410 | 69,358,634 |
| Equipment | 14,361,708 | 2,932,494 | (538,837) | 16,755,365 |
| Total capital assets being depreciated | 51,252,169 | 36,864,702 | (440,427) | 87,676,444 |
| Total capital assets | 77,395,026 | $ 52,848,513 | $ (37,206,974) | 93,036,565 |
| Accumulated Depreciation | | | | |
| Land improvements | (403,572) | (83,981) | (3,097) | (490,650) |
| Buildings and improvements | (9,564,039) | (1,927,501) | 460,558 | (11,030,982) |
| Equipment | (10,967,176) | (1,098,609) | (33,355) | (12,099,140) |
| Total accumulated depreciation | (20,934,787) | $ (3,110,091) | $ 424,106 | (23,620,772) |
| Net Depreciable Capital Assets | 30,317,382 | | | 64,055,672 |
| Right-to-Use Leased Assets Being Amortized | | | | |
| Buildings | 404,764 | $ - | $ - | 404,764 |
| Equipment | 2,680,281 | - | - | 2,680,281 |
| Total right-to-use leased assets being amortized | 3,085,045 | $ - | $ - | 3,085,045 |
| Accumulated Amortization | | | | |
| Buildings | (206,228) | (68,127) | - | (274,355) |
| Equipment | (1,222,198) | (678,780) | 5,694 | (1,895,284) |
| Total accumulated amortization | (1,428,426) | $ (746,907) | $ 5,694 | (2,169,639) |
| Net Right-to-Use Leased Assets | 1,656,619 | | | 915,406 |
| Capital assets and right-to-use assets, net | $ 58,116,858 | | | $ 70,331,199 |

Capital asset additions, retirements, transfers and balances for the year ended December 31, 2024 are as follows:

| | Balance December 31, 2023 | Additions | Transfers and Retirements | Balance December 31, 2024 (Restated) |
|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | |
| Land | $ 4,541,453 | $ - | $ - | $ 4,541,453 |
| Construction in progress | 2,321,573 | 19,851,082 | (571,251) | 21,601,404 |
| Total capital assets not being depreciated | 6,863,026 | 19,851,082 | (571,251) | 26,142,857 |
| Capital Assets Being Depreciated | | | | |
| Land improvements | 603,895 | 32,044 | - | 635,939 |
| Buildings and improvements | 35,781,893 | 773,050 | (300,421) | 36,254,522 |
| Equipment | 14,298,472 | 466,393 | (403,157) | 14,361,708 |
| Total capital assets being depreciated | 50,684,260 | 1,271,487 | (703,578) | 51,252,169 |
| Total capital assets | 57,547,286 | $ 21,122,569 | $ (1,274,829) | 77,395,026 |
| Accumulated Depreciation | | | | |
| Land improvements | (363,534) | (40,038) | - | (403,572) |
| Buildings and improvements | (8,436,677) | (1,127,362) | - | (9,564,039) |
| Equipment | (11,039,306) | (841,710) | 913,840 | (10,967,176) |
| Total accumulated depreciation | (19,839,517) | $ (2,009,110) | $ 913,840 | (20,934,787) |
| Net Depreciable Capital Assets | 30,844,743 | | | 30,317,382 |
| Right-to-Use Leased Assets Being Amortized | | | | |
| Buildings | 404,764 | $ - | $ - | 404,764 |
| Equipment | 1,840,722 | 839,559 | - | 2,680,281 |
| Total right-to-use leased assets being amortized | 2,245,486 | $ 839,559 | $ - | 3,085,045 |
| Accumulated Amortization | | | | |
| Buildings | (137,184) | $ (69,044) | $ - | (206,228) |
| Equipment | (865,117) | (357,081) | - | (1,222,198) |
| Total accumulated amortization | (1,002,301) | $ (426,125) | $ - | (1,428,426) |
| Net Right-to-Use Leased Assets | 1,243,185 | | | 1,656,619 |
| Capital assets and right-to-use assets, net | $ 38,950,954 | | | $ 58,116,858 |

## Note 5 - Lease Obligations

The Hospital has entered into various lease agreements for buildings and medical equipment. The leases terminate at various dates through December 2031. Under the terms of the lease agreements, the Hospital pays monthly base rents ranging from $797 to $7,317.

At December 31, 2025 and 2024, the Hospital has recognized right to use lease liabilities of approximately $905,055 and $1,152,000, respectively, related to these agreements. During the fiscal years ended December 31, 2025 and 2024, the Hospital recorded approximately $67,000 and $95,000, respectively, in interest expense related to the leases. When there is no interest rate explicitly stated in the lease agreement, the Hospital used a discount rate based on the incremental borrowing rate at the time the lease commenced.

## Note 6 - Long-Term Debt

A schedule of changes in the Hospital's long-term debt for December 31, 2025 and 2024 is as follows:

| | Balance December 31, 2024 | Additions | Reductions | Balance December 31, 2025 | Amounts due within one year |
|---|---|---|---|---|---|
| Series 2024 Certificates of Participation | 73,270,000 | - | - | 73,270,000 | 840,000 |
| Original Issue Discount | (1,007,273) | - | 67,413 | (939,860) | - |
| Leases | 1,615,662 | - | (709,605) | 906,057 | 557,442 |
| Compensated Absences* | 1,158,454 | 321,411 | - | 1,479,865 | 1,479,865 |
| | $ 75,036,843 | $ 321,411 | $ (642,192) | $ 74,716,062 | $ 2,877,307 |

| | Balance December 31, 2023 | Additions | Reductions | Balance December 31, 2024 | Amounts due within one year |
|---|---|---|---|---|---|
| 2015 Revenue Bonds - USDA | $ 20,459,174 | $ - | $ (20,459,174) | $ - | $ - |
| USDA Revenue Bonds 2021A-1 | 9,126,206 | - | (9,126,206) | - | - |
| USDA Revenue Bonds 2021A-2 | 4,882,040 | - | (4,882,040) | - | - |
| USDA Revenue 2021B Note Colliers Mortgage LLC | 3,528,310 | - | (3,528,310) | - | - |
| Note Payable - Grand Mountain Bank | 2,500,000 | - | (2,500,000) | - | - |
| Series 2024 Certificates of Participation | - | 73,270,000 | - | 73,270,000 | - |
| Original issue Discount | - | (1,071,187) | 63,914 | (1,007,273) | - |
| Leases | 1,621,125 | 793,032 | (798,495) | 1,615,662 | 700,128 |
| Compensated Absences* | 1,028,022 | 130,432 | - | 1,158,454 | 1,158,454 |
| | $ 43,144,877 | $ 73,122,277 | $ (41,230,311) | $ 75,036,843 | $ 1,858,582 |

*The change in compensated absence liabilities is presented as a net change

The terms and due dates of the Hospital's long-term debt at December 31, 2025 and 2024 are as follows:

- Series 2024 Certificates of Participation (Certificates) are due in annual principal installments that range from $840,000 to $10,190,000, commencing in December 2026. The Certificates bear interest at a weighted average rate of 6.26%. Interest payments on the Certificates are due on June 1 and December 1, annually, and commenced June 1, 2024. Under the terms of the Certificates, the Hospital is required to maintain certain deposits in a Construction Fund for funds related to the ongoing Fraser construction project, and a Reserve Fund to be held until retirement of the Certificates in 2056.
- The USDA guaranteed loans were paid off in full in February 2024.

Scheduled principal and interest payments for the Hospital's long-term debt, including leases, are as follows for the years ending December 31:

| | Principal | Interest |
|---|---|---|
| 2026 | $ 1,397,442 | $ 4,625,074 |
| 2027 | $ 1,151,134 | $ 4,556,156 |
| 2028 | $ 942,908 | $ 4,505,954 |
| 2029 | $ 993,858 | $ 4,459,154 |
| 2030 | $ 1,039,845 | $ 4,409,825 |
| 2031-2035 | $ 5,965,870 | $ 21,204,472 |
| 2036-2040 | $ 7,855,000 | $ 19,289,125 |
| 2041-2045 | $ 10,585,000 | $ 16,568,706 |
| 2046-2050 | $ 14,355,000 | $ 12,799,094 |
| 2051-2055 | $ 19,700,000 | $ 7,457,431 |
| 2056 | $ 10,190,000 | $ 675,088 |
| | $ 74,176,057 | $ 100,550,079 |

## Note 7 - Pension Plan

The Hospital has a defined contribution 457 Plan (the 457 Plan). Plan participation is option for all employees over the age of 18. Benefit provisions are included in the 457 Plan documents were established and can be amended by the Hospital's Board of Trustees and management. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. The Hospital is not required to contribute to the 457 Plan and did not contribute for the years ended 2025, 2024, and 2023, respectively.

The Hospital also has a defined contribution 401(a) Plan (the 401(a) Plan), which covers all employees. Employees do not contribute to this plan. The District contributes to the 401(a) Plan on a discretionary basis. The 401(a) Plan is administered by the District. Benefit terms, including contribution requirements, for the 401(a) Plan are established and may be amended by the District. Contributions to the Plan approximated $560,000, $502,000, and $446,000 during the years ended December 31, 2025, 2024, and 2023, respectively.

## Note 8 - Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients as of December 31, 2025 and 2024 was as follows:

| | 2025 | 2024 |
|---|---|---|
| Medicare | 12% | 6% |
| Medicaid | 7% | 15% |
| Commercial insurance | 52% | 54% |
| Self-pay | 29% | 25% |
| | 100% | 100% |

## Note 9 - Contingencies

### Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

### Malpractice Insurance

The Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of $1 million per claim and an annual aggregate limit of $3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

### Litigation, Claims, and Disputes

The Hospital is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Hospital.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

**Self-Funded Health Plan**

The Hospital is self-funded for health benefits for eligible employees and their dependents. The Hospital, in connection with this plan, recognizes health benefit expenses on an accrual basis. An accrued liability is recorded at year-end which estimates the incurred by not reported claims that will be paid by the Hospital. The Hospital has stop loss insurance to cover claims in excess of $50,000 per claim.

The Hospital expenses amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulted from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued salaries and wages in the financial statements. These amounts have been estimated based on historical trends and actuarial analysis. Changes in the balance of claims liabilities during the past two years are as follows:

| Year | Beginning Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Liability |
|---|---|---|---|---|
| 2024 | $ 617,024 | $ 4,511,281 | $ (4,401,558) | $ 726,747 |
| 2025 | 726,747 | 4,807,356 | (5,099,399) | 434,704 |

## Note 10 - Restatement

During 2025, the Hospital identified misstatements within the 2024 financial statements related to assets and liabilities held on behalf of others, depreciable capital assets, other operating revenue, and depreciation and other expenses that were not reflective of amounts from certain transactions. Accordingly, assets held on behalf of others were overstated by $612,000, liabilities due on behalf of others were overstated by $516,000, and other operating revenue was overstated by $455,000. Additionally, depreciable capital assets were understated by $1,174,000, depreciation expense was overstated by $346,000, other expenses were overstated by $373,000, and beginning net position was understated by $505,000. The Hospital restated its previously issued financial statements to appropriately reflect the December 31, 2024 assets and liabilities held on behalf of others, depreciable capital assets, other operating revenue, and depreciation and other expenses for the year ended December 31, 2024. The following is a summary of the effects of the restatement in the Hospital's December 31, 2024 balance sheet:

| | As Previously Reported | Adjustment | As Restated |
|---|---|---|---|
| Current Assets | | | |
| Assets held on behalf of others | $ 611,634 | $ (611,634) | $ - |
| Total current assets | 43,147,721 | (611,634) | 42,536,087 |
| Capital Assets | | | |
| Depreciable capital assets, net | 29,143,698 | 1,173,684 | 30,317,382 |
| Total capital assets, net | 56,943,174 | 1,173,684 | 58,116,858 |
| Total assets | 113,411,651 | 562,050 | 113,973,701 |
| Total assets and deferred outflows of resources | 113,936,894 | 562,050 | 114,498,944 |
| | | | |
| Current Liabilities | | | |
| Patient refunds payable and other | 81,397 | 296,711 | 378,108 |
| Amounts due on behalf of others | 515,891 | (515,891) | - |
| Total current liabilities | 9,705,860 | (219,180) | 9,486,680 |
| Total liabilities | 82,884,121 | (219,180) | 82,664,941 |
| Total liabilities and deferred inflow of resources | 83,958,167 | (219,180) | 83,738,987 |
| Unrestricted net position | 33,593,186 | (392,454) | 33,200,732 |
| Total net position | 29,978,727 | 781,230 | 30,759,957 |
| Total liabilities, deferred inflow of resources, and net position | 113,936,894 | 562,050 | 114,498,944 |

The following is a summary of the effects of the restatement in the Hospital's December 31, 2024 statement of operations:

| | As Previously Reported | Adjustment | As Restated |
|---|---|---|---|
| Operating Revenues | | | |
| Other revenue | $ 941,433 | $ (454,542) | $ 486,891 |
| Total operating revenues | 57,815,399 | (454,542) | 57,360,857 |
| Operating Expenses | | | |
| Depreciation and amortization | 2,734,708 | (346,451) | 2,388,257 |
| Other | 2,829,947 | (373,154) | 2,456,793 |
| Change in Net Position | 2,138,442 | 276,291 | 2,414,733 |
| Net Position, Beginning of Year | 27,840,285 | 504,939 | 28,345,224 |
| Net Position, End of Year | 29,978,727 | 781,230 | 30,759,957 |

The following is a summary of the effects of the restatement in the Hospital's December 31, 2024 statement of cash flows:

| | As Previously Reported | Adjustment | As Restated |
|---|---|---|---|
| Operating Activities | | | |
| Other operating receipts | $ 941,433 | $ (454,542) | $ 486,891 |
| Net change in cash from operating activities | 7,445,124 | (454,542) | 6,990,582 |
| Capital and related financing activities | | | |
| construction and purchase of capital assets | (18,181,732) | 454,542 | (17,727,190) |
| Net change in cash from (used for) capital and related financing activities | 7,454,349 | 454,542 | 7,908,891 |

Supplementary Information
December 31, 2025 and 2024

# Kremmling Memorial Hospital District

| | Budget | Actual | Variance Favorable/ (Unfavorable) |
|---|---|---|---|
| Operating Revenue | | | |
| Net patient and resident service revenue | $ 60,858,179 | $ 61,351,459 | $ 493,280 |
| Other revenue | 314,056 | 783,062 | 469,006 |
| Total operating revenue | 61,172,235 | 62,134,521 | 962,286 |
| Operating Expenses | | | |
| Salaries and wages | 25,495,977 | 28,982,942 | (3,486,965) |
| Employee benefits | 11,201,866 | 7,202,991 | 3,998,875 |
| Professional fees and purchased services | 11,017,942 | 10,598,461 | 419,481 |
| Supplies | 5,582,483 | 4,882,879 | 699,604 |
| Insurance | 267,500 | 359,692 | (92,192) |
| Depreciation and amortization | 3,442,000 | 3,856,998 | (414,998) |
| Provider fees (provider tax expense) | 3,817,662 | 1,143,967 | 2,673,695 |
| Bond issuance cost | - | | |
| Other | 2,927,784 | 3,024,021 | (96,237) |
| Total operating expenses | 63,753,214 | 60,051,951 | 3,701,263 |
| Operating Income (Loss) | (2,580,979) | 2,082,570 | 4,663,549 |
| Nonoperating Revenues (Expenses) | | | |
| Property tax revenues | 1,030,282 | 908,799 | (121,483) |
| Noncapital contributions and grants | 160,000 | 371,756 | 211,756 |
| Interest income | - | 874,678 | 874,678 |
| Interest expense | (4,526,914) | (4,723,416) | (196,502) |
| Debt issuance costs | - | (19,829) | |
| Nonoperating revenues (expenses), net | (3,336,632) | (2,588,012) | 748,620 |
| Capital Contributions and Grants | - | 2,001,286 | 2,001,286 |

**Notes to Schedule:**

1. Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with generally accepted accounting principles.

2. Appropriations are adopted by resolutions in total. For the year ended December 31, 2025, there were no additional resolutions for supplementary budget and appropriation.

3. Management believes that the Hospital is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR).

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Kremmling Memorial Hospital District
Kremmling, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Audit Standards*), the financial statements of Kremmling Memorial Hospital District dba Middle Park Health (the Hospital) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Kremmling Memorial Hospital District's basic financial statements and have issued our report thereon dated April 30, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Medical Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2025-01 and 2025-02, that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Hospital's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ede Bailly LLP

Denver, Colorado
April 30, 2026

## Financial Statement Findings

**2025-001** **Preparation of Financial Statements**
**Material Weakness in Internal Control over Financial Reporting**

*Criteria* – A properly designed system of internal control over financial reporting includes preparation of an entity's financial statements and accompanying notes by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements and the schedule of expenditures of federal awards (collectively financial statements) in accordance with U.S generally accepted accounting principles (GAAP).

*Condition* – The Hospital does not have an internal control system designed to provide for the preparation of financial statements being audited, including related disclosures in accordance with GAAP.

*Cause* – This deficiency is partially due to the limited resources in the financial reporting process due to budgetary constraints. Furthermore, management has elected to have the financial statements and footnotes prepared by the auditors as part of the audit.

*Effect* – This control deficiency could result in required information being omitted from the financial statements. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting.

*Recommendation* – We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials* – Management agrees with the finding.

**2025-002** **Lack of Reconciliation of Material Account Balances Resulting in Material Audit Adjustments Material Weakness in Internal Control over Financial Reporting**

*Criteria* – A properly designed system of internal control over financial reporting includes accurate reconciliation of material account balances. Management is responsible for establishing and maintaining internal control over these reconciliations to enable accurate reporting of financial reporting in accordance with U.S generally accepted accounting principles.

*Condition* – The Hospital did not materially reconcile all material account balances throughout the current year and in previous years, specifically related to capital assets, including right of use leased assets, Cliffview accounts, and operating cash. The lack of reconciliation of these accounts resulted in a restatement of the financial statements for the year ended December 31, 2024. We also noted several passed adjustments that were not booked as audit adjustments.

*Cause* – This deficiency is partially due to time constraints historically related to the limited office size and not fully adopting control processes required under new GASB accounting standards that become effective in recent years or correctly accounting for transactions that took place during previous years. These errors were uncovered as management became more involved in achieving accurate reconciliation and reporting.

*Effect* – This control deficiency resulted in inaccurate information being reported in the financial statements.

*Recommendation* – We recommend that management continues to review control and reconciliation processes in order to bolster internal control procedures and to allow for more timely and complete reconciliation of all material account activities and balances. It is the responsibility of management and those charged with governance to make decisions on staffing, policies, and controls. As your organization continues to expand, maintaining a high level of internal control is essential.

*Views of Responsible Officials* – Management agrees with the finding.