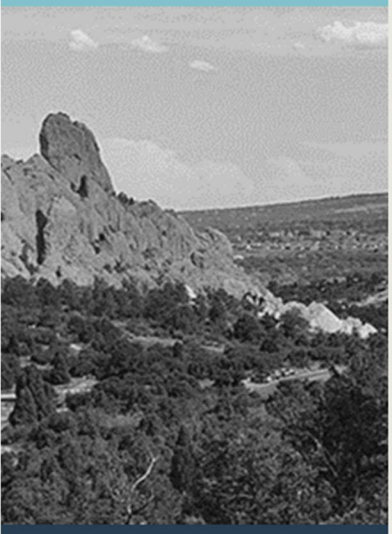


Financial Statements

Yuma District Hospital
For the Years Ended December 31, 2025 and 2024

sorren CPAs, PC

YUMA DISTRICT HOSPITAL

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Yuma District Hospital
Yuma, Colorado

Opinion

We have audited the accompanying financial statements of Yuma District Hospital (the Hospital), which comprise the statement of net position as of December 31, 2025, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

Prior Period Financial Statements

The financial statements of the Hospital as of December 31, 2024 were audited by other auditors whose report dated April 24, 2025 expressed an unmodified opinion of those statements.

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, 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 Hospital's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility 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 generally accepted 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 generally accepted 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2025 financial statements as a whole. The schedule of revenues and expenses – budget and actual for the year ended December 31, 2025 as listed in the table of contents is presented for the purpose 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sorren CPAs P.C.
Colorado Springs, Colorado
July 27, 2026

YUMA DISTRICT HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis for Yuma District Hospital's (Hospital) financial performance provides an overview of the Hospital's financial activities for the fiscal years ended December 31, 2025, 2024 and 2023. Please read it in conjunction with the Hospital's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Hospital's net position increased during the year ended December 31, 2025 from $5,800,683 to $7,400,042. This is a increase of $1,599,359 or 28%.The Hospital's net position increased during the year ended December 31, 2024 from $5,361,390 to $5,800,683. This is an increase of $439,293 or 8%.
- Operating revenue increased by $2,232,305 during the year ended December 31, 2025 as patient service revenue increased $2,267,742 and other operating revenue decreased $35,437. During 2025, operating expenses increased by $2,169,381 with the most significant changes in operating expenses being an increase in salaries, wages and employee benefits of $1,148,771 and depreciation and amortization of $307,078. Operating revenue increased by 2,948,451 during the year ended December 31, 2024 as patient service revenue increased $2,877,651 and other operating revenue increased $70,800. During 2024, operating expenses increased by $1,423,784 with the most significant changes in operating expenses being an increase in salaries, wages and employee benefits of $544,121 and supplies of $705,040.
- There were operating losses for the fiscal years ending December 31, 2025, 2024, and 2023 of $1,073,297, $1,136,221, and $2,660,888.
- Total cash and cash equivalents and internally designated investments decreased from $10,046,059 in 2024 to $7,270,076 in 2025. Total cash and cash equivalents and internally designated investments increased from $9,047,549 in 2023 to $10,046,059 in 2024.

USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements – the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital including resources held by the Hospital but restricted for specific purposes by lenders, contributors, grantors, or enabling legislation.

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

One of the most important questions asked about the Hospital's finances is, "Is the Hospital , as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position – the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources – as one way to measure the Hospital's financial health, or financial position.

Over time, increases or decreases in the Hospital 's net position is an indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

THE STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

Cash and cash equivalents, including restricted cash and cash held by the debt trustee, decreased in 2025 from $4,668,218 to $3,486,541. This decrease of $1,181,677 is primarily due to the purchase of capital assets. Cash and cash equivalents increased in 2024 from $3,617,403 to $4,668,218. This increase and payments on long-term debt of $1,050,815 is primarily due to cash flows from operations.

THE HOSPITAL'S NET POSITION

The Hospital's net position is the difference between its assets, liabilities, and deferred inflows of resources reported in the statements of net position on pages 8 and 9. The Hospital's net position increased in the year ending December 31, 2025 from $5,800,683 to $7,400,042. This is a increase of $1,599,359 or 28%. The Hospital's net position increased in the year ending December 31, 2024 from $5,361,390 to $5,800,683. This is an increase of $439,293 or 8%.

	2025	2024	2023
Assets			
Current Assets	$ 7,814,898	$ 8,006,869	$ 6,895,013
Capital assets, net	12,325,146	10,035,321	10,744,847
Other non-current assets	9,082,637	10,701,591	10,824,187
Total assets	$ 29,222,681	$ 28,743,781	$ 28,464,047
Liabilities, deferred inflows, and net position			
Current Liabilities	$ 5,325,337	$ 5,456,672	$ 4,573,406
Long-term liabilities	15,521,538	16,537,277	17,615,405
Deferred inflows	975,764	949,149	913,846
Total liabilities and deferred inflows	21,822,639	22,943,098	23,102,657
Net Position			
Net investment in capital assets	(3,357,850)	(6,938,432)	(7,298,993)
Restricted - expendable for debt service and capital asset replacement	213,225	228,496	188,171
Restricted – non-expendable held by trustee for debt service	559,752	557,493	554,125
Unrestricted	9,984,915	11,953,126	11,918,087
Total net position	7,400,042	5,800,683	5,361,390
Total liabilities, deferred inflows, and net position	$ 29,222,681	$ 28,743,781	$ 28,464,047

In 2025, capital assets, net increased by $2,289,825. The change was due primarily to capital purchases of $3,715,180 for construction in progress and equipment, offset by depreciation and amortization of $1,419,956. In 2024, capital assets, net decreased by $709,526, due primarily to depreciation expense of $1,112,878 and capital purchases of $403,352.

In 2025 and 2024, the long-term liabilities decreased by $1,015,739 and $1,078,128, respectively, due primarily to the payments made on such liabilities.

THE HOSPITAL'S REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Hospital's revenues, expenses and changes in net position are as follows:

	2025	2024	2023
Operating revenues			
Net patient service revenue	$ 26,685,633	$ 24,417,891	$ 21,540,240
Other operating revenue	601,771	637,208	566,408
Total operating revenue	27,287,404	25,055,099	22,106,648
Operating expenses	28,360,701	26,191,320	24,767,536
Operating loss	(1,073,297)	(1,136,221)	(2,660,888)
Non-operating revenues	1,785,412	1,407,771	903,682
Revenues in excess of (less than) expenses before capital grants	712,115	271,550	(1,757,206)
Capital grants	887,244	167,743	
Change in net position	1,599,359	439,293	(1,757,206)
Net position, Beginning of year	5,800,683	5,361,390	7,118,596
Net position, End of year	$ 7,400,042	$ 5,800,683	$ 5,361,390

OPERATING LOSS

The first component of the overall change in the Hospital's net position is its operating loss – generally, the difference between patient service revenue and the expenses incurred to perform those services. There were operating losses for the Hospital in fiscal years ending December 31, 2025, 2024, and 2023 of $1,073,297, $1,136,221, and $2,660,888.

OPERATING REVENUES

Net patient service revenue increased by approximately 9% and 13% during 2025 and 2024, respectively. In 2024, the Hospital had 335 patient days compared to 271 patient days in 2025, a decrease of 64 or 19%. Swing bed days decreased from 298 in 2024 to 253 in 2025, a decrease of 45 days or 15%. These decreases were offset by general price increases and a reduction in contractual adjustments as a percentage of gross patient service revenue.

The Hospital experienced an increase in patient days in 2024 when compared to the 2023 fiscal year. In 2023, the Hospital had 259 patient days compared to 335 patient days in 2024, an increase of 76 or 29%. Swing bed days increased from 151 in 2023 to 298 in 2024, an increase of 147 days or 97%. The following factors had a major impact on hospital revenues: 1) general price increase of approximately 4% and 2) changes in volumes as noted above.

OPERATING EXPENSES

There were significant changes in the following expense categories during 2025 when compared to 2024:

- Salaries, wages and employee benefits increased $1,148,771 due to salary increases given during the year to retain and attract employees and an increase in the cost of employee benefits.
- Depreciation and amortization increased $307,078 primarily due to purchases of capital assets.

There were significant changes in the following expense categories during 2024 when compared to 2023:

- Salaries, wages and employee benefits increased $544,121 due to salary increases given during the year to retain and attract employees and an increase in the cost of employee benefits.
- Supplies increased $705,040 primarily due to an increase of the costs of pharmacy and chemotherapy drugs.

NON-OPERATING REVENUES (EXPENSES)

The Hospital experienced an increase in non-operating revenues in 2025 when compared to 2024 due primarily to receipt of insurance reimbursements for property damage. The Hospital experienced an increase in non-operating revenues in 2024 when compared to 2023 due primarily to an increase of unrestricted gifts and bequests.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Yuma District Hospital, 1000 West 8th Avenue, Yuma, Colorado, 80759, phone number 970-848-5405.

YUMA DISTRICT HOSPITAL

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 309,997	$ 1,271,154
Current portion of cash held by trustee for debt service	213,225	204,388
Restricted cash	840,761	1,205,062
Receivables:		
Patient, net	2,815,484	3,712,947
Ad valorem taxes	975,764	949,149
Grants	887,244	
Estimated third-party payor settlements	1,203,271	
Other		192,393
Inventories	476,272	417,127
Prepaid expenses	92,880	54,649
Total current assets	7,814,898	8,006,869
NON-CURRENT CASH AND INVESTMENTS		
Internally designated by Board of Directors	6,960,079	8,774,905
Restricted by trustee for debt reserve and capital asset replacement	2,122,558	1,926,686
Total non-current cash and investments	9,082,637	10,701,591
CAPITAL ASSETS		
Capital assets not being depreciated	1,222,600	1,222,600
Capital assets being depreciated, net	10,546,844	7,933,332
Right to use subscription IT assets, net of accumulated amortization	518,775	817,840
Right to use leased assets, net of accumulated amortization	36,927	61,549
Total capital assets	12,325,146	10,035,321
TOTAL ASSETS	$ 29,222,681	$ 28,743,781

(Continued)

YUMA DISTRICT HOSPITAL

STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	1,016,756	$ 1,019,094
Estimated third-party payor settlements		713,474
Accrued expenses	2,769,519	1,942,543
Current maturities of long-term debt	1,365,135	1,469,312
Current maturities of subscription IT liabilities	151,664	291,181
Current maturities of lease liabilities	22,263	21,068
Total current liabilities	5,325,337	5,456,672
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	15,502,018	16,342,018
Subscription IT liabilities, less current maturities		151,664
Lease liabilities, less current maturities	19,520	43,595
Total long-term liabilities	15,521,538	16,537,277
TOTAL LIABILITIES	20,846,875	21,993,949
DEFERRED INFLOW OF RESOURCES-AD VALOREM TAXES	975,764	949,149
NET POSITION		
Net investment in capital assets	(3,357,850)	(6,938,432)
Restricted—expendable held by trustee for debt service and capital asset replacement	213,225	228,496
Restricted—non-expendable held by trustee for debt service	559,752	557,493
Unrestricted	9,984,915	11,953,126
Total net position	7,400,042	5,800,683
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,AND NET POSITION	$ 29,222,681	$ 28,743,781

See notes to financial statements. (Concluded)

YUMA DISTRICT HOSPITAL

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Net patient service revenue, net of provision for bad debts	$ 26,685,633	$ 24,417,891
Other revenue	601,771	637,208
Total operating revenues	27,287,404	25,055,099
OPERATING EXPENSES		
Salaries and wages	11,194,175	10,613,371
Employee benefits	3,416,083	2,848,116
Purchased services	5,016,089	5,380,618
Supplies	3,373,888	3,083,909
Depreciation and amortization	1,419,956	1,112,878
Other	3,940,510	3,152,428
Total operating expenses	28,360,701	26,191,320
OPERATING LOSS	(1,073,297)	(1,136,221)
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	1,017,453	1,039,819
Non-capital grants and gifts	441,804	1,037,437
Investment income	484,735	373,329
Interest expense	(977,586)	(1,042,814)
Insurance reimbursement	698,611	
Other non-operating income, net	120,395	
Total non-operating revenue, net	1,785,412	1,407,771
Revenues in excess of expenses before capital grants	712,115	271,550
CAPITAL GRANTS AND GIFTS	887,244	167,743
Change in net position	1,599,359	439,293
NET POSITION, Beginning of year	5,800,683	5,361,390
NET POSITION, End of year	$ 7,400,042	$ 5,800,683

See notes to financial statements.

YUMA DISTRICT HOSPITAL

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING ACTIVITIES		
Receipts from and on behalf of patients	$ 25,666,351	$ 25,029,900
Payments for employees' services and benefits	(13,780,839)	(13,434,055)
Payments to suppliers for goods and services	(12,430,201)	(11,350,498)
Other receipts and payments, net	794,164	637,208
Net cash provided by operating activities	249,475	882,555
NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes received	1,017,453	1,039,819
Non-capital grants and gifts	441,804	1,037,437
Other	819,006	
Net cash provided by non-capital financing activities	2,278,263	2,077,256
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(3,715,180)	(403,352)
Repayment of long-term debt	(944,177)	(861,385)
Proceeds from long-term debt		89,029
Interest paid on long-term debt obligations	(958,662)	(1,007,186)
Principal payments on subscription IT liabilities	(291,181)	(275,702)
Interest paid on subscription IT liabilities	(18,419)	(33,898)
Principal payments on leases	(22,880)	(22,029)
Interest paid on leases	(2,948)	(4,078)
Capital grants received		167,743
Net cash used in capital and related financing activities	(5,953,447)	(2,350,858)
INVESTING ACTIVITIES		
Purchases of internally designated investments	(12,431,871)	
Sales of internally designated investments	14,191,168	68,533
Investment income	484,735	373,329
Net cash provided by investing activities	2,244,032	441,862
Change in cash and cash equivalents	(1,181,677)	1,050,815
CASH AND CASH EQUIVALENTS, Beginning of year	4,668,218	3,617,403
CASH AND CASH EQUIVALENTS, End of year	$ 3,486,541	$ 4,668,218

(Continued)

YUMA DISTRICT HOSPITAL

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 309,997	$ 1,271,154
Current portion of cash held by trustee for debt service	213,225	204,388
Restricted cash	840,761	1,205,062
Cash and cash equivalents in non-current cash and investments:		
Internally designated for specific purposes		60,928
Non-current cash held by trustee for debt reserve and capital asset replacement	2,122,558	1,926,686
Total cash and cash equivalents	$ 3,486,541	$ 4,668,218
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$ (1,073,297)	$ (1,136,221)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	1,419,956	1,112,878
Changes in assets and liabilities:		
Receivables	1,089,856	(747,465)
Inventories	(59,145)	73,668
Prepaid expenses	(38,231)	56,122
Accounts payable	(2,338)	136,667
Estimated third-party payor settlements	(1,916,745)	1,359,474
Accrued expenses	829,419	27,432
Net cash provided by operating activities	$ 249,475	$ 882,555

See notes to financial statements. (Concluded)

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Yuma District Hospital (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 is a licensed 15-bed critical access hospital and clinic located in Yuma, Colorado and a clinic in Akron, Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code 501(a). In 1967, Yuma District Hospital was created as a political subdivision of the state of Colorado. The Hospital's five-member Board of Directors is publicly elected by the citizens of the Yuma Hospital District, a subset of Yuma County, to oversee the operations and management of the Hospital.

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities. The Hospital has also considered the 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 Hospital has no significant operational or other financial relationships with any other governmental unit that requires inclusion or disclosure in the Hospital's financial statements.

Measurement Focus and Basis of Accounting — Basis of accounting 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: Net capital assets consists of right to use leased assets, and right to use subscription IT assets, reduced by the outstanding balances of any related debt obligations, lease liabilities, subscription IT 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.

Expendable: Expendable net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Non-Expendable: Non-expendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.

Unrestricted Net Position: Net position consists of 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 highly liquid investments with an original maturity of three months or less excluding internally designated or restricted cash and investments. 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.

Patients receivables are net of estimated uncollectibles of $663,000 and $1,066,000 as of December 31, 2025 and 2024, respectively.

Ad Valorem Tax Receivable and Revenue — Ad valorem tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The ad valorem tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first day of the following year. Although the ad valorem receivable has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year in which it is levied.

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

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

Non-Current Cash and Investments — Non-current cash and investments are set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and restricted by trustee for debt reserve and capital asset replacement. Deposits are recorded at historical cost. Other investments are measured at fair value. Non-current cash and investments that are available for obligations classified as current liabilities are reported in current assets.

Investment Income — Interest, dividends, gains and losses, both realized and unrealized, on investments and deposits are included in non-operating revenues when earned.

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 on the straight-line method. The estimated useful lives of capital assets are as follows:

Land improvements	10-20 years
Buildings and improvements	5-40 years
Major movable equipment	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 Subscription IT Assets— Right to use subscription IT assets are recognized at the subscription commencement date and represent the Hospital's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

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 live 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 values of assets are appropriate. No impairment was identified for the years ended December 31, 2025 and 2024.

Subscription IT Liabilities — Subscription IT liabilities represent the Hospital's obligation to make subscription payments arising from the subscription contract. Subscription IT liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the Hospital.

Lease Liabilities — Lease liabilities represent the Hospital's obligation to make lease payments arising from leases. Lease liabilities are recognized at 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 lease payments are discounted based on a borrowing rate determined by the Hospital.

Compensated Absences — The Hospital's employees accrue Earned Time Days (ETD) that can be drawn upon for vacation, holidays, and certain other absences. ETDs accrue at varying rates depending on years of service and hours worked. ETDs accumulate up to a specified maximum. Employees are paid for accumulated ETD upon termination.

Self-Funded Health Insurance — The Hospital self-funds health benefits for eligible employees and their dependents. Health insurance expense is recorded on an accrual basis. The Hospital provides for self-insurance reserves for estimated incurred but not yet reported claims for its employees. These reserves, which are included in the liabilities on the statement of net position, are estimated based upon historical submission and payment data, 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.

Deferred Inflows of Resources — Deferred inflows of resources represent an increase in net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the financial statements are deferred ad valorem taxes. Ad valorem taxes will be recognized as revenue in the year they are levied.

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

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 amount of charges foregone for services provided under the Hospital's charity care policy were $22,793 and $76,128 for the years ended December 31, 2025 and 2024, respectively. The estimated cost of providing these services was approximately $16,000 and $53,000 for the years ended December 31, 2025 and 2024, respectively, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

Colorado Healthcare Affordability & Sustainability Enterprise (CHASE) Program — The Hospital participates in the State of Colorado CHASE program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were 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's expense was $803,423 and $599,700 in provider fees for the years ended December 31, 2025 and 2024, respectively, which are recorded in other operating expenses. The Hospital's revenue was $4,002,986 and $4,389,538 of supplemental payments for the years ended December 31, 2025 and 2024, respectively, which are recorded as part of net patient service revenue.

Grants and Contributions — The Hospital may receive grants as well as contributions from individuals, private organizations, and from the State of Colorado. 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 non-operating 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.

Reclassifications — Reclassifications have been made to the December 31, 2024 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

Subsequent Events — The Hospital has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

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 care services under cost reimbursement methodology, with final settlement determined after submission of annual cost reports by the Hospital, which are subject to audits thereof by the Medicare Administrative Contractor (MAC). Certain services are paid on a fixed fee schedule.

Medicaid: Inpatient services and outpatient services after November 1, 2016 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. Outpatient services prior to November 1, 2016 related to Medicaid beneficiaries are paid at interim rates based on Medicaid cost-to-charge ratio. Retrospective settlements based on audited cost-to-charge ratios are made periodically.

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.

Concentration of net revenues by major payor accounted for the following percentages of the Hospital's patient service revenues for the years ended December 31:

	2025	2024
Medicare	46%	43%
Medicaid	24%	29%
Other insurance	28%	26%
Private pay	2%	2%
Total	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. The net patient service revenue for the years ended December 31, 2025 and 2024 increased by approximately $157,000 and $149,000, respectively, due to the removal of allowances previously estimated that are no longer necessary as a result of final settlements, adjustments to amounts previously estimated and years that are no longer likely subject to audits, reviews, and investigations.

Net patient service revenue is net of the provision for bad debts of $1,358,719 and $1,497,889 in 2025 and 2024, respectively.

3. DEPOSITS, INVESTMENTS, AND INVESTMENT INCOME

The carrying amount of deposits and investments as of December 31 are shown below:

	2025	2024
Carrying Amount		
Deposits	$ 3,486,541	$ 4,668,218
Investments	6,960,079	8,713,977
	$ 10,446,620	$ 13,382,195

Deposits and investments are reported in the following statement of net position captions:

	2025	2024
Cash and cash equivalents	$ 309,997	$ 1,271,154
Current portion of cash held by trustee for debt service	213,225	204,388
Restricted Cash	840,761	1,205,062
Non-current cash and investments internally designated by Board	6,960,079	8,774,905
Non-current cash held by trustee for debt reserve and capital asset replacement	2,122,558	1,926,686
Carrying value	$ 10,446,620	$ 13,382,195

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 investment policy does not address custodial credit risk.

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 the 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 had approximately $0 and $17,000, respectively, on deposit in banks in excess of FDIC, PDPA or other properly collateralized limits.

Investments — The Hospital’s investments are reported at fair value. The District may legally invest in certificates of deposit and direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities. It may also invest to a limited extent in equity and debt securities.

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes.

At December 31, 2025 and 2024, the Hospital had deposits with COLOTRUST of $6,960,079 and $0, respectively. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investment owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

The Hospital had the following investments and maturities at December 31, 2024:

Investment Type	Carrying Amount	Investment Maturities (in Years)				
		Rating	Less Than 1	1-5	6-10	More Than 10
Federal Home Loan Bank	$ 393,094	Aaa		$ 393,094		
Federal National Mortgage Association	927,839	N/A		3,054	$ 309,299	$ 615,486
Fannie Mae Pool	1,521,941	N/A		350,061	1,105,098	66,782
Federal Home Loan Mortgage Corporation	1,624,724	Aaa-AAA		1,217,862	41,611	365,251
Government National Mortgage Association	210,302	N/A				210,302
Freddie Mac Group	1,289,736	N/A		144,877	569,344	575,515
Small Business Administration Group	52,963	N/A			52,963	
U.S. Treasury notes	2,693,378	Aaa		2,693,378		
Total	$ 8,713,977		$ —	$ 4,802,326	$ 2,078,315	$ 1,833,336

Interest Rate Risk — Colorado statutes limit the investment in corporate or bank debt to maturities of three years from the date of settlement at the time of purchase. In addition, the statutes state that it is lawful to hold investments from certain federal entities with maturity dates of five years or less from the date of purchase unless the governing body of the public entity authorizes investments for a period in excess of five years. The Hospital’s governing body has authorized the extension of the maturity beyond five years. The Hospital’s investment policy does not contain provisions that further limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Hospital is in compliance with Colorado statutes.

Credit Risk — Colorado statutes limit investments in any corporate or bank debt securities to organizations with a net worth in excess of two hundred fifty million dollars and they must carry at least two credit ratings from the nationally recognized credit rating agencies and must not be rated below “AA- or Aa3” by any credit rating agency. The Hospital’s investment policy states that all investments must be rated in one of its top three highest rating categories by one nationally recognized credit rating agencies.

Concentration of Credit Risk — Colorado statutes limit the amount of corporate or bank debt securities to not exceed 30% of the book value of the entity’s total investment portfolio at the time of purchase. The statutes also limit investments in corporate or bank debt securities by any one individual corporation to not exceed 5% of the total investment portfolio at the time of purchase, unless the governing body of the public entity authorizes the investments. The Hospital places no additional limit on the amount it may invest in any one issuer. The Hospital was considered to be in compliance with state statutes and its investment policy at December 31, 2025 and 2024.

None of the Hospital's securities are invested in more than 5% of the Hospital's investments at December 31, 2025.

More than 5% of the Hospital's investments are invested in the following securities at December 31, 2024:

Federal National Mortgage Association	11%
Federal Home Loan Mortgage Corporation	19%
US Treasury Notes	31%
Fannie Mae Pool	17%
Freddie Mac	15%
Federal Home Loan Bank	5%
Government National Mortgage Association	2%
Small Business Administration Group	1%

Investment Income — Investment income on cash equivalents and investments consists of the following for the years ended December 31:

	2025	2024
Interest income and realized gains and losses	$ 354,701	$ 335,685
Change in unrealized gains and losses on investments	130,034	37,644
Net investment income	$ 484,735	$ 373,329

4. FAIR VALUE OF ASSETS

The Hospital has determined the fair value of certain assets in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritized the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The fair value of the investments noted are estimated using a variety of techniques including quoted market prices of similar items, broker / dealer quotes, and models using market interest rates or yield curves and are included in Level 2.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. COLOTRUST deposits of $6,960,079 as of December 31, 2025 are measured at fair value using NAV.

Assets measured at fair value on a recurring basis and the related fair values of these assets at December 31, 2024 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable, Inputs (Level 3)
Federal Home Loan Bank	$ 393,094		$ 393,094	
Federal National Mortgage Association	927,839		927,839	
Fannie Mae Pool	1,521,941		1,521,941	
Federal Home Loan Mortgage Corporation	1,624,724		1,624,724	
Government National Mortgage Association	210,302		210,302	
Freddie Mac Group	1,289,736		1,289,736	
Small Business Administration Group	52,963		52,963	
U.S. Treasury Notes	2,693,378		2,693,378	
	$ 8,713,977	$ —	$ 8,713,977	$ —

5. CAPITAL ASSETS

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

	Balance January 1, 2025	Additions	Transfers and Retirements	Balance December 31, 2025
Capital assets not being depreciated:				
Land	$ 1,222,600			$ 1,222,600
Construction in progress		$ 1,747,687	$ (1,747,687)	—
Total capital assets not being depreciated	1,222,600	$ 1,747,687	(1,747,687)	1,222,600
Capital assets being depreciated:				
Land improvements	1,186,844			1,186,844
Buildings and improvements	19,518,355		1,362,419	20,880,774
Equipment	8,933,665	1,967,493	(1,167,746)	9,733,412
Total capital assets being depreciated	29,638,864	1,967,493	194,673	31,801,030
Less accumulated depreciation for:				
Land improvements	(1,006,919)	(42,221)		(1,049,140)
Buildings and improvements	(13,739,965)	(636,991)	374,020	(14,002,936)
Equipment	(6,958,648)	(417,057)	1,173,595	(6,202,110)
Total accumulated depreciation	(21,705,532)	(1,096,269)	1,547,615	(21,254,186)
Net capital assets being depreciated	7,933,332	871,224	1,742,288	10,546,844
Right to use subscription assets being amortized:				
Equipment	1,226,760			1,226,760

	Balance January 1, 2025	Additions	Transfers and Retirements	Balance December 31, 2025
Total accumulated amortization	(408,920)	(299,065)		(707,985)
Total right to use subscription assets, net	817,840	(299,065)	—	518,775
Right to use leased assets being amortized:				
Equipment	109,650			109,650
Total accumulated amortization	(48,101)	(24,622)		(72,723)
Total right to use leased assets, net	61,549	(24,622)	—	36,927
Capital assets, net	$ 10,035,321	$ 2,295,224	$ (5,399)	$ 12,325,146

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

	Balance January 1, 2024	Additions	Transfers and Retirements	Balance December 31, 2024
Capital assets not being depreciated:				
Land	$ 1,222,600			$ 1,222,600
Construction in progress	83,832		$ (83,832)	
Total capital assets not being depreciated	1,306,432	$ —	(83,832)	1,222,600
Capital assets being depreciated:				
Land improvements	1,186,844			1,186,844
Buildings and improvements	19,492,100	26,255		19,518,355
Equipment	8,472,736	377,097	83,832	8,933,665
Total capital assets being depreciated	29,151,680	403,352	83,832	29,638,864
Less accumulated depreciation for:				
Land improvements	(964,122)	(42,797)		(1,006,919)
Buildings and improvements	(13,144,476)	(595,489)		(13,739,965)
Equipment	(6,608,200)	(350,448)		(6,958,648)
Total accumulated depreciation	(20,716,798)	(988,734)	—	(21,705,532)
Net capital assets being depreciated	8,434,882	(585,382)	83,832	7,933,332
Right to use subscription assets being amortized:				
Equipment	1,226,760			1,226,760
Total accumulated amortization	(306,690)	(102,230)		(408,920)
Total right to use subscription assets, net	920,070	(102,230)	—	817,840
Right to use leased assets being amortized:				
Equipment	109,650			109,650
Total accumulated amortization	(26,187)	(21,914)		(48,101)
Total right to use leased assets, net	83,463	(21,914)	—	61,549
Capital assets, net	$ 10,744,847	$ (709,526)	$ —	$ 10,035,321

6. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

The Hospital has entered into SBITA contracts for subscription-based technology arrangements. The Hospital is required to make principal and interest payments through 2029.

During the years ended December 31, 2025 and 2024, the Hospital recorded $72,693 and $33,898, respectively, in interest expense for the right to use equipment. The subscription IT liability was valued using a discount rate of 5.5% based on an incremental borrowing rate.

A summary of the changes in subscription IT liabilities during the year ended December 31, 2025 is as follows:

	Balance January 1, 2025	Additions	Payments	Balance December 31, 2025	Due Within One Year
Subscription IT liabilities	$ 442,845	$ —	$ (291,181)	$ 151,664	$ 151,664

A summary of the changes in subscription IT liabilities during the year ended December 31, 2024 is as follows:

	Balance January 1, 2024	Additions	Payments	Balance December 31, 2024	Due Within One Year
Subscription IT liabilities	$ 718,547	$ —	$ (275,702)	$ 442,845	$ 291,181

Remaining principal and interest payments on subscriptions for the years ending December 31 are as follows:

	Principal	Interest
2026	$ 151,664	$ 3,135

7. LEASE OBLIGATIONS

The Hospital has entered into agreements to lease office equipment and medical equipment. The leases terminate at various dates through September 2027. Under the terms of the lease agreements, the Hospital pays monthly base rents ranging from $263 to $2,001.

During the years ended December 31, 2025 and 2024, the Hospital recorded $2,948 and $4,078, respectively, in interest expense for the right to use equipment. The Hospital used a discount rate of 5.53% based on the Hospital's incremental borrowing rate at the inception of the lease.

A summary of the changes in lease liabilities during the year ended December 31, 2025 is as follows:

	Balance January 1, 2025	Additions	Payments	Balance December 31, 2025	Due Within One Year
Lease liabilities	$ 64,663	$ —	$ (22,880)	$ 41,783	$ 22,263

A summary of the changes in lease liabilities during the year ended December 31, 2024 is as follows:

	Balance January 1, 2024	Additions	Payments	Balance December 31, 2024	Due Within One Year
Lease liabilities	$ 86,692	$ —	$ (22,029)	$ 64,663	$ 21,068

Remaining obligations associated with these leases for the years ending December 31 are as follows:

	Principal	Interest
2026	$ 22,263	$ 1,751
2027	19,520	495
	$ 41,783	$ 2,246

8. LONG-TERM DEBT

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

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025	Due Within One Year
Mortgage note	$ 11,821,892	$	$ (636,947)	$ 11,184,945	$ 677,176
Hospital revenue bond	5,286,936		(144,637)	5,142,299	148,050
Note payable – A	615,644		(131,216)	484,428	484,428
Note payable – B	86,858		(31,377)	55,481	55,481
Total long-term debt	$ 17,811,330	$ —	$ (944,177)	$ 16,867,153	$ 1,365,135

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

	Balance January 1, 2024	Additions	Reductions	Balance December 31, 2024	Due Within One Year
Mortgage note	$ 12,421,001	$	$ (599,109)	$ 11,821,892	$ 636,948
Hospital revenue bond	5,423,487		(136,551)	5,286,936	142,184
Note payable – A	739,198		(123,554)	615,644	603,322
Note payable – B		89,029	(2,171)	86,858	86,858
Total long-term debt	$ 18,583,686	$ 89,029	$ (861,385)	$ 17,811,330	$ 1,469,312

Under the terms of the mortgage note payable and Hospital Revenue Bond, the Hospital is limited in the incurrence of additional borrowings, has limitations on purchases of capital assets, and is required to satisfy certain measures of financial performance, defined in the indenture agreements. In addition, the Hospital is required to maintain certain funds for debt reserve. For the year ended December 31, 2025, the Hospital did not meet certain of its required financial covenants.

The terms and due dates of the Hospital's long-term debt are as follows:

- 6.14% mortgage note payable, due in monthly installments of $112,090, including interest, to August 2037, secured by building, equipment, and net revenues of the Hospital, guaranteed 90% by the U.S. Department of Agriculture.
- 4.13% Hospital Revenue Bond payable to the U.S. Department of Agriculture, due in annual installments of $360,290, including interest, to July 2047, secured by building, equipment, and net revenues of the Hospital subordinate to the mortgage note payable.
- 5.15% Note Payable - A, due in monthly installments of $14,200, including interest, to June 2026 when the last payment of $429,569 is due. The note payable is secured by a certificate of deposit.
- 5.50% Note Payable - B, due in 6 monthly installments of $2,470, including interest, to June 2026 when the last payment of $44,934 is due. The note payable is secured by a certificate of deposit.

Scheduled debt service requirements for the Hospital's long-term debt for the years ending December 31 are as follows:

	Principal	Interest
2026	$ 1,365,135	$ 880,149
2027	874,102	831,274
2028	925,931	779,444
2029	980,895	724,480
2030	1,039,185	666,190
2031-2035	6,201,717	2,325,159
2036-2040	3,330,143	713,116
2041-2045	1,474,174	327,276
2046-2048	675,871	42,257
Total	$ 16,867,153	$ 7,289,345

9. DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan through annuity contracts with a trustee in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to eligible Hospital employees and permits them to defer a portion of their compensation for retirement purposes. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation is invested for the participants by the Hospital under the plan agreements.

The Hospital also sponsors a 401(a) plan, under which all employees who have completed one year of service are eligible to participate. Participants may defer a portion of their compensation up to specified limits according to the IRC. The Hospital contributes up to 4% of eligible employee compensation annually. Total employer retirement expense for the years ended December 31, 2025 and 2024 was $270,993 and $299,273, respectively.

The Hospital fully funds all compensation deferred under the plan agreement on a current basis. The assets are invested within various fund pools established and maintained by the plan trustee.

10. 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 at December 31 was as follows:

	2025	2024
Medicare	50%	30%
Medicaid	10%	9%
Other insurance	34%	54%
Private pay	6%	7%
Total	100%	100%

11. 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 ultimate 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 with respect to investigations and allegations concerning possible violations by health care providers of regulations 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 Insurance — 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 but not reported claims that will be paid by the Hospital. The Hospital has stop loss insurance to cover catastrophic claims in excess of $70,000 per claim and an annual aggregate limit of $1,558,912 for the plan year ended February 28, 2026. The Hospital expensed amounts representing the employer's portion of actual claims paid, adjusted for the estimates of liabilities relating to claims resulting from services provided prior to the fiscal year end not to exceed the annual aggregate expense. The estimated liability is included in accrued expenses 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:

	Beginning Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Liability
2025	$ 380,459	$ 1,611,994	$ (1,178,454)	$ 869,513
2024	230,459	1,684,157	(1,534,157)	380,459

YUMA DISTRICT HOSPITAL

SUPPLEMENTARY INFORMATION

YUMA DISTRICT HOSPITAL

SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budget	Actual	Favorable (Unfavorable) Variance
REVENUES			
Operating revenues:			
Net patient service revenue	$ 28,154,062	$ 26,685,633	$ (1,468,429)
Other revenue	90,031	601,771	511,740
Total operating revenues	28,244,093	27,287,404	(956,689)
Non-operating revenues (expense):			
Ad valorem taxes	949,149	1,017,453	68,304
Interest expense	(1,008,988)	(977,586)	31,402
Grants and gifts	490,000	1,329,048	839,048
Investment income	328,041	484,735	156,694
Other non-operating income, net		819,006	819,006
Total non-operating revenues	758,202	2,672,656	1,914,454
Total revenues	$ 29,002,295	$ 29,960,060	$ 957,765
EXPENSES			
Salaries and wages	$ 11,734,250	$ 11,194,175	$ 540,075
Employee benefits	3,499,224	3,416,083	83,141
Depreciation	1,024,594	1,419,956	(395,362)
Supplies	3,312,662	3,373,888	(61,226)
Purchased services	5,002,202	5,016,089	(13,887)
Other	3,998,082	3,940,510	57,572
Total expenses	28,571,014	28,360,701	210,313
CAPITAL BUDGET	2,484,000	3,715,180	(1,231,180)
DEBT RETIREMENT			
Principal paid	735,000	944,177	(209,177)
Total expenditures	$ 31,790,014	$ 33,020,058	$ (1,230,044)

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 accounting principles generally accepted in the United States of America.
2. Management believes that the Hospital is compliant with the rules of Colorado's Taxpayer's Bill of Rights (TABOR).