




Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024



**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
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December 31, 2025 and 2024**

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Independent Auditor's Report

Board of Directors
Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Salida, Colorado

Opinion

We have audited the financial statements of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center), as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Medical Center'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 financial position of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Medical Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 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, 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 Medical Center'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 Medical Center'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and 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 GAAS, 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 audits 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 audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses are presented for purposes of additional analysis and are 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 combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses are fairly stated in all material respects in relation to the financial statements as a whole.

Forvis Mazars, LLP

**Denver, Colorado
April 3, 2026**

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management’s Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Introduction

Management’s discussion and analysis of the financial performance of Salida Hospital District, d/b/a Heart of the Rockies Regional Medical Center (the Medical Center or “HRRMC”), provides an overview of the Medical Center’s financial activities for the years ended December 31, 2025 and 2024, with comparative information for 2023. This discussion should be read in conjunction with the accompanying financial statements. The financial data presented in this analysis pertains to both Heart of the Rockies Regional Medical Center and its blended component unit, Salida Hospital Foundation, doing business as the Heart of the Rockies Regional Medical Center Foundation (collectively referred to as “the Organization”).

Heart of the Rockies Regional Medical Center (HRRMC) – 2025 Operational and Strategic Highlights

Heart of the Rockies Regional Medical Center (HRRMC) is a critical access hospital offering a wide range of inpatient and outpatient services, including Level 4 emergency care, surgical services, maternity care, specialty care, and primary care clinics. HRRMC also operates four rural health clinics, two of which are located outside its governmental district, extending our community support footprint and strengthening our regional healthcare presence.

Operational and Financial Success Amid Challenges

In 2025, HRRMC demonstrated continued operational and financial success despite the staffing challenges associated with its rural destination location. Through a balanced focus on strategic and operational priorities—including service, people, quality, finance, facilities, growth, and physician relations—the Medical Center effectively managed expenses within its growth curve.

Key Expansion Activities in 2025

HRRMC initiated and/or completed several significant expansion projects in 2025, including:

- Pharmacy Renovation and Clean Room Suite: A major renovation and build-out of the pharmacy improved workflow efficiencies and enabled the addition of a clean room suite to enhance support for infusion services.
- Outreach and Market Expansion: Increased outreach services to capture market share and provide specialty services to outlying regions.
- Hospital Front Expansion: A major build-out to provide additional space for specialty services and outpatient care.
- Robotic-Assisted Surgery: The DaVinci 5 system helps our surgeons offer enhanced precision, flexibility, and control compared to traditional techniques for certain procedures.
- Delnay Guest House: In partnership with the HRRMC Foundation, the Medical Center completed construction of the Delnay Guest House in 2025. This facility provides hospitality housing for patients traveling from distant locations to receive care and temporary housing to address the housing challenges faced by caregivers relocating to the region.

Commitment to “Keeping Care Local”

HRRMC remains committed to its mission of “keeping care local” by continuously expanding services and infrastructure to meet the healthcare needs of our community. Our history of growth reflects this ongoing commitment.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Strategic Growth Timeline

- 2008: Construction of a replacement facility.
- 2011: Acquisition of HRRMC Buena Vista Health Center.
- 2012 & 2015: Surgical, clinic, and support area expansions.
- 2016: Establishment and accreditation of a cardiac rehabilitation program.
- 2017: Certification of an outpatient dialysis clinic by the Centers for Medicare and Medicaid Services.
- 2019: Establishment of HRRMC Salida Health Center and HRRMC Saguache Health Center, both of which became rural health clinics in 2020.
- 2019: Opening of a three-story outpatient pavilion, housing outpatient rehabilitation with a therapy pool, wellness services and all specialty physician clinics.
- 2020: Achievement of Joint Commission Accreditation, a milestone reaffirmed in 2023.
- 2020: Formation of HRRMC Custer County Health Center.
- 2023: Launch of HRRMC South Park Health Care and establishment of HRRMC Custer County Pharmacy.
- 2025: Delnay Guest House opens to provide hospitality housing for patients and temporary housing for employees.
- 2025: First robotic-assisted surgery.

Growth in Specialty Services and Provider Expansion

HRRMC has experienced significant growth in physician specialty services and provider employment since 2014. This trend continues into 2025, supported by the expansions of additional on-campus locations to house more provider specialists and services.

Future Expansion Plans for 2026

Looking ahead, HRRMC has budgeted major facility expansions for 2026 to address the growing demand for:

- Surgical Services and Diagnostic Imaging Capacity
- Future Specialty Services and Outpatient Care

Through these initiatives, HRRMC is poised to enhance healthcare delivery, improve patient outcomes, and strengthen our position as a leader in regional healthcare.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Financial Highlights (Organization)

Cash and Investments: Increased by \$10,220,069 in 2025, compared to an increase of \$15,577,604 in 2024.

Net Position: Rose by \$9,400,930 (6%) in 2025, compared to an increase of \$20,952,590 (16%) in 2024.

Heart of the Rockies Regional Medical Center (Medical Center)

- Cash and Investments: Increased by \$10,264,308 (10%) in 2025, compared to an increase of \$16,938,781 (21%) in 2024.
- Net Position: Increased by \$9,467,548 (6%) in 2025, compared to an increase of \$22,291,388 (17%) in 2024.
- Total Operating Revenues: Increased by \$3,173,541 (2%) in 2025, compared to an increase of \$22,372,612 (17%) in 2024.
- Total Operating Expenses: Increased by \$16,059,371 (11%) in 2025, compared to an increase of \$17,644,229 (14%) in 2024.
- Operating Income: Decreased by \$12,885,830 (82%) in 2025, following an increase of \$4,728,383 (43%) in 2024.

Salida Hospital Foundation (Foundation)

- Cash and Investments: Decreased by \$44,239 (2%) in 2025, after decreasing by \$1,361,177 (40%) in 2024.
- Net Position: Decreased by \$66,618 (3%) in 2025, following a decrease of \$1,338,798 (40%) in 2024.

Using This Annual Report

This report includes the Organization's financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

These statements provide a comprehensive view of the Organization's activities, including resources held by the Foundation that are restricted for specific purposes by creditors, contributors, grantors, or enabling legislation.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management’s Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

The Statement of Net Position & Statement of Revenues, Expenses, and Changes in Net Position

A critical question for any organization’s financial review is: “Has the Organization’s overall financial position improved or worsened over the past year?”

These two statements help answer that question. They detail the Organization’s resources, liabilities, and activities on an accrual basis of accounting, including both restricted and unrestricted assets. All revenues and expenses for the current year are reflected, regardless of when cash transactions occurred.

These statements show the Organization’s net position—the difference between assets, liabilities, and deferred inflows of resources. Tracking changes in net position over time helps assess whether the Organization’s financial health is improving or declining. It’s important to also consider non-financial factors such as patient base changes, regulatory shifts, service quality, and local economic conditions when evaluating overall financial health.

The Statement of Cash Flows

The Statement of Cash Flows answers key questions about the Organization’s cash activity:

- *Where did cash come from?*
- *What was cash used for?*
- *What was the change in cash and cash equivalents during the reporting periods?*

The Organization’s Net Position

The Organization’s combined net position increased by \$9,400,930 (6%) in 2025, as shown in Table 1, representing the difference between assets, liabilities, and deferred inflows of resources.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Table 1: Assets, Liabilities, Deferred Inflows of Resources and Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Cash and cash equivalents	\$ 63,101,019	\$ 55,224,374	\$ 39,738,935
Patient accounts receivable, net	21,181,313	20,569,913	19,017,558
Cash and investments internally designated by Board of Directors, current	10,868,291	17,391,781	18,126,629
Other current investments	130,722	130,722	130,722
Other current assets	9,479,358	8,524,348	6,461,589
Capital, leased and subscription assets, net	67,873,266	62,292,419	60,717,007
Noncurrent cash and investments	36,993,349	28,126,435	27,299,422
Investment in joint venture	181,924	338,010	312,035
Other assets	1,090,938	1,150,557	362,895
Total Assets	<u><u>\$ 210,900,180</u></u>	<u><u>\$ 193,748,559</u></u>	<u><u>\$ 172,166,792</u></u>
Liabilities and Deferred Inflows of Resources			
Current liabilities (including current maturities on long-term debt)	\$ 25,461,714	\$ 15,993,905	\$ 14,724,221
Long-term debt, lease and subscription liabilities	20,005,780	21,668,355	23,089,561
Deferred inflows of resources	1,166,877	1,221,420	440,721
Total Liabilities and Deferred Inflows of Resources	<u>46,634,371</u>	<u>38,883,680</u>	<u>38,254,503</u>
Net Position			
Net investment in capital and lease assets	44,557,840	38,406,383	35,485,983
Restricted			
Expendable	656,145	761,854	2,155,701
Nonexpendable	40,000	40,000	40,000
Unrestricted	119,011,824	115,656,642	96,230,605
Total Net Position	<u>164,265,809</u>	<u>154,864,879</u>	<u>133,912,289</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 210,900,180</u></u>	<u><u>\$ 193,748,559</u></u>	<u><u>\$ 172,166,792</u></u>

2025 Financial Overview

Cash and Cash Equivalents

The increase in cash and cash equivalents in 2025 and 2024 is primarily driven by improvements in net position and a rise in total liabilities, mainly attributable to higher current liabilities associated with increased volume and the timing of payments.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Net Patient Accounts Receivable

In 2025, net patient accounts receivable increased by \$611,400 representing an approximate 3% rise. This reflects a similar net days outstanding from 50.0 to 50.8, despite a 10% overall increase in gross revenues.

Other Current Assets

Other current assets increased by \$955,010 or 11%, in 2025. This increase is attributed to a rise in inventory by \$584,927, and an increase in prepaid expenses and other receivables of \$370,083. In 2024, other current assets increased by \$1,366,297, or 114%. This increase is attributed to a rise in inventory by \$1,539,900, an increase in other receivables by \$951,835 (which includes tax revenue not levied in 2023 due to delays caused by a special Governor's session), and an increase in prepaid expenses of \$412,126 in inventories.

Net Capital Assets

In 2025, net capital assets increased by \$5,580,847, reflecting capital purchases of \$12,712,231, offset by disposals and accumulated depreciation. In comparison, 2024 saw a less significant increase of \$1,575,412, driven by capital purchases of \$8,013,527, also offset by disposals and accumulated depreciation.

Non-Current Cash and Investments

Non-current cash and investments grew by \$8,866,914 in 2025 and \$827,013 in 2024, benefiting from an improved interest rate environment for converted positions.

Current Liabilities

Current liabilities increased by \$9,467,809 (59%) in 2025. The increase is primarily attributable to a \$6,944,926 increase in cost report settlements and other third-party liabilities. This change was largely driven by the recognition of an accrual of approximately \$4,800,000 to reflect estimated overpayments associated with management-identified errors in cost reports for the years 2022 through 2024. In comparison, current liabilities increased by \$1,269,684 (9%) in 2024.

Debt Position

The Medical Center maintains a privately placed 20-year promissory note with a fixed interest rate of 2.96%. Outstanding notes payable totaled \$21,215,000 as of December 31, 2025, down from \$22,825,000 at year-end 2024. It is important to note that the Medical Center's formal debt issuances remain subject to limitations imposed by state law.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Operating Results and Changes in the Organization's Net Position

In 2025, the Organization's increase in net position was \$9,400,930 as shown in Table 2. This increase is made up of the following components:

Table 2: Operating Results and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating Revenues			
Net patient service revenue, net	\$ 152,065,413	\$ 150,676,734	\$ 129,529,195
Other operating revenue	8,749,498	6,964,636	5,739,563
Total Operating Revenues	<u>160,814,911</u>	<u>157,641,370</u>	<u>135,268,758</u>
Operating Expenses			
Salaries, wages and employee benefits	90,378,125	82,438,592	71,696,262
Purchased services and professional fees	10,218,722	8,745,219	8,231,281
Depreciation and amortization	7,045,871	6,437,199	6,090,430
Other operating expenses	50,453,393	44,404,399	38,349,624
Total Operating Expenses	<u>158,096,111</u>	<u>142,025,409</u>	<u>124,367,597</u>
Operating Income	<u>2,718,800</u>	<u>15,615,961</u>	<u>10,901,161</u>
Nonoperating Revenues (Expenses)			
Property tax	928,238	960,588	828,955
Interest income	4,406,126	4,380,854	2,874,362
Other nonoperating revenues and expenses, net	1,310,357	(98,992)	377,507
Net Nonoperating Revenues (Expenses)	<u>6,644,721</u>	<u>5,242,450</u>	<u>4,080,824</u>
Gifts and Grants to Purchase Capital Assets	<u>37,409</u>	<u>94,179</u>	<u>238,040</u>
Increase in Net Position	<u>\$ 9,400,930</u>	<u>\$ 20,952,590</u>	<u>\$ 15,220,025</u>

Operating Income

The first component of the overall change in the Organization's net position for 2025 and 2024 is its operating income – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years the Medical Center has reported operating income.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Medical Center Vision and 2025 Financial Performance

The Medical Center's vision is to be the healthcare provider of choice for its region and a world-class rural healthcare organization. HRRMC strives to deliver personalized and exceptional healthcare while maintaining a strong financial position to withstand the industry's uncertain regulatory environment, declining reimbursements, and rising costs. Despite ongoing challenges, including increasing personnel expenses, the Medical Center achieved strong financial performance in 2025.

Operating Income Growth

The Organization's operating income decreased by \$12,897,161 (83%) in 2025 and increased by \$4,714,800 (43%) in 2024. Key contributors to these changes include:

Net Patient Service Revenue: Increased by \$1,388,679 (1%) in 2025 and \$21,147,539 (16%) in 2024.

- Gross Patient Revenue: Increased by \$34,502,991 (10%) in 2025 and \$36,517,980 (12%) in 2024, driven by:
 - An aggregate price increase of 5% in both 2025 and 2024.
 - Volume changes impacting gross revenue, including:
 - Discharges: Increased by 19% in 2025 and decreased by 5% in 2024, while the average length of stay decreased by 6% and increased by 1%, respectively. Patient days increased by 11.8% in 2025 and declined by 3.5% in 2024.
 - Emergency Department Visits: Increased by 0.7% in 2025 but decreased by 0.7% in 2024.
 - Total Outpatient Visits: Increased by 5% in 2025 and in 2024.
 - Outpatient Surgeries: Decreased by 3% in 2025 and increased by 2% in 2024.
 - Rehabilitation Services: Increased by 6% in 2025 and 13% in 2024.
 - Infusion Department Visits: Increased by 12% in 2025 and 2% in 2024.
 - Imaging Services: Including CT, MRI, x-rays, fluoroscopy, mammography, and nuclear medicine, increased by 3% in 2025 and 10% in 2024.
 - Lab Volume: Increased by 7% in 2025 and 6% in 2024.
 - Dialysis Clinic Treatments: Decreased by 19% in 2025 and 12% in 2024.
 - Total Clinic Visits: Increased by 4% in 2025 and 10% in 2024.
- Deductions and Reimbursement Impact
 - Deductions as a Percentage of Gross Revenue increased by 3.6% in 2025 and 2.8% in 2024.
 - Medicare Sequestration: The 2% Medicare sequestration resulted in deductions of \$484,602 in 2025 and \$466,825 in 2024.
 - Medicaid Supplemental Payments: Deductions were reduced by Medicaid supplemental payments amounting to \$8,546,121 in 2025 and \$10,544,500 in 2024 under the Colorado Healthcare Accountability and Sustainability Enterprise Legislation.

**Salida Hospital District
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Management's Discussion and Analysis (Unaudited)
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- Cost Report Settlements and Other Third Party Liabilities: Increased Medicare deductions by \$6,944,926 (1.88%) of gross revenue in 2025 but reduced deductions by \$164,525 (0.05%) of gross revenue in 2024.
- Charity and Other Deductions:
 - Charity and Other Deductions increased by \$2,419,639 (1.4% of gross revenue) in 2025 and increased by \$1,042,412 (0.6% of gross revenue) in 2024. Supplemental Colorado Indigent Care Program (CICP) payments of \$764,706 in 2025 underfunded HDC write-offs by \$3,945,380, while 2024 payments of \$801,025 exceeded write-offs by \$1,903,469

Salaries, Wages, and Benefits

- Increased by \$7,939,533 (10%) in 2025 and \$10,742,330 (15%) in 2024.
- Full-Time Equivalents (FTEs):
 - Increased by 28.7 FTEs (5%) in 2025, including 17.5 FTEs in nursing and physician clinic services and a net increase of 11.2 FTEs in other patient care and support services.
 - Increased by 48.6 FTEs (9%) in 2024, including 39.3 FTEs in nursing and physician clinic services and a net increase of 14.7 FTEs in other patient care and support services.
- Vacancy Rates: Increased from 5.1% in 2024 to 5.6% in 2025, representing approximately 35 FTEs.
- Employee Health Plan: Self-insured employee health plan expenses increased by \$175,833 in 2025 and \$2,162,588 in 2024, reflecting the inherent volatility in small, self-insured plans and increased covered members. Health insurance costs represent approximately 15.5% of salary dollars in 2025, a decrease from 2024 which approximated 16.9%. Employee contribution rates have remained unchanged despite the volatility.
- Targeted Retention and Recruitment Programs:
 - 2025 increases were driven by targeted salary programs addressing critical staffing needs.
 - Both 2025 and 2024 included a 3% average performance-based salary increase.
 - Turnover rates increased slightly to 20% in 2025, from 19% in 2024. When PRN employees are excluded, the turnover rate is 13% for 2025. Most recent NSI National Healthcare Retention benchmark for hospitals in the West region (which includes Colorado) is 17.1% for all employees and 13.9% when PRN employees are excluded.

Purchased Services and Professional Fees

- Purchased services increased by \$873,973 (19%) in 2025 and \$294,242 (7%) in 2024.
- Professional fees increased by \$599,528 (14%) in 2025 and \$219,698 (6%) in 2024.

Depreciation and Amortization

- Increased by \$608,672 (10%) in 2025 and \$346,769 (6%) in 2024.
- Depreciation and amortization expenses reflect the cost of capital and lease asset purchases and their estimated useful lives. The Medical Center's Average Age of Plant was 9.9 years in 2025 and 10.0 years in 2024, favorable compared to the 2024 Becker's benchmark of 13.2 years.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Management's Discussion and Analysis (Unaudited)
Years Ended December 31, 2025 and 2024**

Supplies and Pharmaceutical Expenses

- Supplies and pharmaceutical expense increased by \$4,835,390 (16%) in 2025 and \$4,500,538 (17%) in 2024 due to volume increases in both hospital and retail pharmacies.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses primarily consist of net investment income, property tax levied by the Medical Center, and interest expenses.

The Medical Center was established to serve the residents of the Salida Hospital District in Chaffee, Fremont, and Saguache counties. It levies property tax, which contribute approximately 0.6% of its net financial support. Property tax saw a decrease of 3% in 2025 and an increase of 16% in 2024.

Net investment income rose by 2.4% in 2025 and 53.9% in 2024, reflecting changes in the balance between short- and long-term investments in the portfolio and alongside fluctuations in interest rates available. The Medical Center also recorded unrealized gains on investments of \$282,643 in 2025 and \$73,454 in 2024.

Capital and Non-operating Gifts

The Medical Center receives capital and non-operating gifts from donors, private foundations, and other grant sources to support specific programs. In 2025, grants recognized totaled \$1,795,772, compared to \$1,883,298 in 2024. Of the grants received in 2025, \$1,078,379 is a community benefit contribution from UCHealth to minimize the initial year of impact on Colorado's rural hospital network due to the updated Colorado Healthcare Affordability and Sustainability Enterprise (CHASE) model. Gifts and grants to purchase capital assets are \$344,205. During 2025, the Foundation contributed \$332,445 toward the Delnay Guest House, robotic surgery and other equipment; however, this intra-organizational contribution was eliminated upon consolidation. In both years, funding included grants from the Women's Wellness Connection Program to enhance access to diagnostic services.

The Medical Center's Cash Flows

Changes in the Medical Center's cash flows align with shifts in operating revenues, expenses, and non-operating revenues, as discussed throughout this report.

Other Economic Factors

Management believes several factors contribute to the Medical Center's financial risks. These factors include challenges related to physician and staff recruitment and retention, a shortage of affordable housing, and lower-than-average income trends within the Medical Center's service area. Additionally, potential impacts from healthcare legislation at the national and state levels—focused on budget reductions, changes to or repeal of the *Patient Protection and Affordable Care Act*, and reimbursement adjustments—are notable risks. Other key concerns include the ongoing changes to Facility-Based Billing, constraints within the 340B program, and the continuation of the Colorado Public Option payer system.

Contacting the Medical Center's Financial Management

This financial report is designed to provide a general overview of the Medical Center's finances to our patients, suppliers, taxpayers, and creditors, showcasing the Medical Center's accountability for the funds it receives. For questions regarding this report or requests for additional financial information, please contact the Medical Center's Financial Administration at 719.530.2213.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Statements of Net Position
December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 63,101,019	\$ 55,224,374
Certificates of deposit	130,722	130,722
Patient accounts receivable, net of allowance for uncollectible accounts; 2025 - \$8,781,593 and 2024 - \$7,778,899	21,181,313	20,569,913
Inventories	7,388,417	6,803,490
Prepaid expenses and other	2,090,941	1,720,858
Cash and investments internally designated by Board of Directors, current	<u>10,868,291</u>	<u>17,391,781</u>
Total Current Assets	<u>104,760,703</u>	<u>101,841,138</u>
Noncurrent Cash and Investments		
Cash and investments internally designated by Board of Directors	35,782,942	26,807,591
Certificates of deposit	500,000	500,000
Externally restricted by donors	<u>710,407</u>	<u>818,844</u>
Total Noncurrent Cash and Investments	<u>36,993,349</u>	<u>28,126,435</u>
Investment in Joint Venture	<u>181,924</u>	<u>338,010</u>
Capital, Leased and Subscription Assets, Net	<u>67,873,266</u>	<u>62,292,419</u>
Other Assets		
Lease receivable	181,502	283,119
Property tax receivable	<u>909,436</u>	<u>867,438</u>
Total Assets	<u>\$ 210,900,180</u>	<u>\$ 193,748,559</u>

Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Statements of Net Position
December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 4,077,651	\$ 4,065,953
Accrued compensation and compensated absences	6,615,080	5,479,192
Current maturities of long-term debt, lease and subscription liabilities	1,871,433	1,745,479
Estimated amounts due to third-party payers	8,071,821	1,126,895
Other current liabilities	3,225,729	2,276,386
Estimated self-insurance costs	1,600,000	1,300,000
Total Current Liabilities	<u>25,461,714</u>	<u>15,993,905</u>
Other Liabilities		
Long-term debt, lease and subscription liabilities	20,005,780	21,668,355
Total Other Liabilities	<u>20,005,780</u>	<u>21,668,355</u>
Total Liabilities	<u>45,467,494</u>	<u>37,662,260</u>
Deferred Inflows of Resources		
Lease related	257,441	353,982
Property tax related	909,436	867,438
Total Deferred Inflows of Resources	<u>1,166,877</u>	<u>1,221,420</u>
Total Liabilities and Deferred Inflows of Resources	<u>46,634,371</u>	<u>38,883,680</u>
Net Position		
Net investment in capital assets	44,557,840	38,406,383
Restricted - expendable for		
Scholarships	60,142	70,013
Capital acquisitions	-	38,471
Other	596,003	653,370
Restricted nonexpendable	40,000	40,000
Unrestricted	119,011,824	115,656,642
Total Net Position	<u>164,265,809</u>	<u>154,864,879</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 210,900,180</u>	<u>\$ 193,748,559</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2025 - \$6,071,410 and 2024 - \$5,018,792	\$ 152,065,413	\$ 150,676,734
Other operating revenue	8,749,498	6,964,636
Total Operating Revenues	<u>160,814,911</u>	<u>157,641,370</u>
Operating Expenses		
Salaries and wages	73,049,637	66,179,452
Employee benefits	17,328,488	16,259,140
Supplies and pharmaceuticals	35,669,700	30,834,310
Purchased services	5,429,452	4,555,479
Professional fees	4,789,270	4,189,740
Depreciation and amortization	7,045,871	6,437,199
Provider fee expense	3,750,588	3,340,832
Repairs and maintenance	4,096,259	3,874,885
Utilities	1,038,612	952,880
Insurance	610,883	707,624
Other expenses	5,287,351	4,693,868
Total Operating Expenses	<u>158,096,111</u>	<u>142,025,409</u>
Operating Income	<u>2,718,800</u>	<u>15,615,961</u>
Nonoperating Revenues (Expenses)		
Property tax	928,238	960,588
Interest income	4,406,126	4,380,854
Noncapital grants and gifts	1,790,161	463,995
Gain on investments	268,998	73,454
Interest expense	(690,562)	(731,113)
Gain on sale of capital assets	5,104	18,992
Gain on investment in equity investee	72,263	213,737
Other expenses	(135,607)	(138,057)
Total Nonoperating Revenues (Expenses)	<u>6,644,721</u>	<u>5,242,450</u>
Excess of Revenues Over Expenses Before Capital Gifts	9,363,521	20,858,411
Gifts and Grants to Purchase Capital Assets	<u>37,409</u>	<u>94,179</u>
Increase in Net Position	9,400,930	20,952,590
Net Position, Beginning of Year	<u>154,864,879</u>	<u>133,912,289</u>
Net Position, End of Year	<u>\$ 164,265,809</u>	<u>\$ 154,864,879</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Statements of Cash Flows
Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Receipts from, and on behalf of, patients	\$ 159,257,773	\$ 149,544,274
Payments to suppliers and contractors	(47,427,358)	(40,654,154)
Payments to employees	(89,242,237)	(81,842,397)
Other payments, net	(5,996,779)	(7,031,787)
Net Cash Provided by Operating Activities	<u>16,591,399</u>	<u>20,015,936</u>
Cash Flows from Noncapital Financing Activities		
Property tax supporting operations	928,238	960,588
Noncapital grants and gifts	1,790,161	463,995
Other nonoperating expense	(135,607)	(138,057)
Net Cash Provided by Noncapital Financing Activities	<u>2,582,792</u>	<u>1,286,526</u>
Cash Flows from Capital and Related Financing Activities		
Gifts to purchase capital assets	37,409	94,179
Principal paid on long-term debt, lease and subscription liabilities	(1,793,483)	(1,694,094)
Interest paid on long-term debt, lease and subscription liabilities	(702,476)	(742,694)
Purchase of capital and lease assets	(11,406,839)	(8,045,319)
Proceeds from the sale of capital assets	7,794	21,000
Net Cash Used in Capital and Related Financing Activities	<u>(13,857,595)</u>	<u>(10,366,928)</u>
Cash Flows from Investing Activities		
Purchase of investments	(24,358,283)	(22,127,063)
Proceeds from disposition of investments	22,387,037	20,459,377
Investment income	4,836,028	4,547,075
Net Cash Provided by Investing Activities	<u>2,864,782</u>	<u>2,879,389</u>
Increase in Cash and Cash Equivalents	8,181,378	13,814,923
Cash and Cash Equivalents, Beginning of Year	<u>58,456,767</u>	<u>44,641,844</u>
Cash and Cash Equivalents, End of Year	<u>\$ 66,638,145</u>	<u>\$ 58,456,767</u>

Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 63,101,019	\$ 55,224,374
Cash in noncurrent cash and investments		
Internally designated	2,826,719	2,413,549
Externally restricted by donors	710,407	818,844
Total Cash and Cash Equivalents	<u>\$ 66,638,145</u>	<u>\$ 58,456,767</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,718,800	\$ 15,615,961
Depreciation and amortization	7,045,871	6,437,199
Provision for uncollectible accounts	6,071,410	5,018,792
Changes in operating assets and liabilities		
Patient accounts receivable, net	(5,823,976)	(5,986,727)
Estimated amounts due from and to third-party payers	6,944,926	(164,525)
Accounts payable and accrued expenses	181,879	1,061,470
Other assets and liabilities	(547,511)	(1,966,234)
Net Cash Provided by Operating Activities	<u>\$ 16,591,399</u>	<u>\$ 20,015,936</u>
Supplemental Cash Flows Information		
Capital asset acquisition included in accounts payable	\$ 1,439,116	\$ 473,409
Liabilities for lease and subscription assets	\$ 256,862	\$ 338,333

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The financial statements include Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center) and its component unit Salida Hospital Foundation d/b/a Heart of the Rockies Regional Medical Center Foundation (the Foundation), which has been included in these financial statements using the blended method. The Medical Center and the Foundation are collectively referred to as the Organization. All significant intercompany balances and transactions have been eliminated.

The Medical Center is a 25-bed acute care facility in Salida, Colorado designated as a Critical Access Hospital (CAH). The Medical Center is governed by a Board of Directors, which is elected by Salida Hospital District residents. The Medical Center primarily earns revenues by providing inpatient and outpatient acute care and multi-specialty physician clinic services to patients from and visiting Chaffee, Fremont and Saguache counties.

Foundation

The Foundation is a legally separate, tax-exempt component unit of the Medical Center. The Foundation's primary function is to raise and hold funds to support the Medical Center and its programs.

Although the Medical Center does not control the timing or amount of receipts from the Foundation, the Foundation's resources and related income are restricted by donors for the benefit of the Medical Center. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Medical Center, the Foundation is considered a component unit of the Medical Center and is included in the financial statements using the blended method.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property tax, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Use of Estimates

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

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization does not consider uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2025 and 2024, cash equivalents consisted primarily of repurchase agreements secured by ownership in *Public Deposit Protection Act* qualifying securities.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at the time of acquisition and in nonnegotiable certificates of deposit are carried at fair value. The investment in joint venture is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Supply inventories are stated at the lower of cost, determined by using an average calculated cost which approximates the first-in, first-out method, or market.

Capital Assets

Capital assets over \$5,000 are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Medical Center:

Land improvements	2 – 25 years
Buildings and improvements	5 – 40 years
Equipment	3 – 20 years

Lease Assets

Lease assets over \$25,000 are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets over \$25,000 are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease and Subscription Asset Impairment

The Medical Center evaluates capital, lease and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the historical cost and related accumulated depreciation or amortization is decreased by the amount of the impairment loss.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Compensated Absences

The Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

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

The Medical Center is self-insured for a portion of its exposure to employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Deferred Inflows of Resources

The Medical Center reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in separate sections of its statements of net position.

Net Position

Net position of the Organization is classified in four components on its statements of net position.

- Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings, lease and subscription liabilities used to finance the purchase or construction of those assets
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Organization, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Organization, such as permanent endowments
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Medical Center provides charity care to patients who qualify under the Colorado Indigent Care Program (the Program) and/or its own charity care policy. The Program provides reimbursement for services at less than the Medical Center's established rates. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Property Tax

The Medical Center received approximately 1% of its gross financial support from property tax in 2025 and 2024. These funds were used to support operations. Taxes are recorded as revenue in the year they are assessed by the counties.

Income Taxes

As an essential government function of the counties, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

The Foundation is an entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

Note 2. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the state Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The Medical Center's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and that receive less than 10% of their annual revenue in grants from all state and local governments combined. The Medical Center is of the opinion that its operations qualify for this exclusion.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

Note 3. Charity Care

The costs of charity care provided under the Medical Center's charity care policy and participation in the Colorado Indigent Care Program were approximately \$218,400 and \$230,900, respectively, in 2025 and 2024. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 4. Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursed basis. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost-reimbursement methodology. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor.

Medicaid. Reimbursements for Medicaid inpatient services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member similar to Medicare. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Medical Center is reimbursed for cost-reimbursable services at tentative rates, with final settlement determined after submission of annual cost reports by the Medical Center. Reimbursements for Medicaid outpatient services are paid prospectively under the Enhanced Ambulatory Patient Grouping (EAPG) System, to a patient classification system that is based on clinical, diagnostics, and other factors.

Other. The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes discounts from established charges for hospital facility services and percentages above the Medicare Fee Schedule for physician professional services.

Approximately 53% and 52% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2025 and 2024, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Settlements with third-party payors for retroactive adjustments due to cost report or other audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Medical Center's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations. The Medical Center identified an overpayment on their cost reports from 2022-2024 and have recorded an estimated \$4,800,000 in estimated amounts due to third-party payers on the statement of net position for the expected repayment once the amended cost reports are filed.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

The *Colorado Healthcare Affordability Act*, designated as House Bill 1293 (HB 1293), was passed during 2009 implementing a fee on hospitals to generate matching funds to the state of Colorado from federal sources. Implementation of this act occurred during April of 2010. HB 1293 was superseded by Senate Bill 17-267 which repealed the Hospital Provider Fee and created the Colorado Healthcare Accountability and Sustainability Enterprise (CHASE), with the following effect on the Medical Center's financial statements:

	<u>2025</u>	<u>2024</u>
Colorado Indigent Care Program - supplemental revenue	\$ 764,706	\$ 801,025
CHASE supplemental payments included in patient service revenue	8,546,121	10,544,501
CHASE fee expense	<u>(3,750,588)</u>	<u>(3,340,832)</u>
Effect of SB 17-267	<u>\$ 5,560,239</u>	<u>\$ 8,004,694</u>

Patient service revenue, after deductions for contractual allowances and uncollectible accounts, is as follows:

	<u>2025</u>		
	<u>Gross Revenue</u>	<u>Contractual Adjustments and Uncollectible Accounts</u>	<u>Net Patient Service Revenue</u>
Medicare	\$ 202,606,086	\$ 137,047,908	\$ 65,558,178
Medicaid	47,637,977	31,876,980	15,760,997
Other	<u>119,807,432</u>	<u>49,061,194</u>	<u>70,746,238</u>
Total	<u>\$ 370,051,495</u>	<u>\$ 217,986,082</u>	<u>\$ 152,065,413</u>
	<u>2024</u>		
	<u>Gross Revenue</u>	<u>Contractual Adjustments and Uncollectible Accounts</u>	<u>Net Patient Service Revenue</u>
Medicare	\$ 181,878,688	\$ 121,110,170	\$ 60,768,518
Medicaid	39,823,519	22,256,342	17,567,177
Other	<u>113,846,297</u>	<u>41,505,258</u>	<u>72,341,039</u>
Total	<u>\$ 335,548,504</u>	<u>\$ 184,871,770</u>	<u>\$ 150,676,734</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

Note 5. Patients Accounts Receivable

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2025 and 2024 consisted of:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 23,823,711	\$ 21,809,629
Medicaid	4,037,853	4,347,173
Other third-party payers	22,582,316	21,850,068
Patients	<u>3,433,986</u>	<u>5,170,125</u>
	53,877,866	53,176,995
Less allowance for contractals and uncollectible accounts	<u>32,696,553</u>	<u>32,607,082</u>
Total	<u>\$ 21,181,313</u>	<u>\$ 20,569,913</u>

Note 6. Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Organization's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Colorado Public Deposit Protection Act (the PDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance is insured by federal insurance (FDIC) for up to \$250,000 for interest and noninterest bearing accounts. Any excess of deposit accounts over the FDIC limit that is not insured is covered by collateral pledged by the financial institution in accordance with the PDPA. Pledged collateral is reported to, and reviewed by, the Medical Center.

At December 31, 2025 and 2024, \$67,305,803 and \$59,426,312, respectively, of the Organization's bank balances of \$68,436,525 and \$60,557,034, respectively, were exposed to custodial credit risk as follows:

	<u>2025</u>	<u>2024</u>
Insured (FDIC) or collateralized with securities held by the Organization	\$ 1,130,722	\$ 1,130,722
Uninsured and collateral held by the pledging financial institution's trust department or agent in other than the Organization's name	<u>67,305,803</u>	<u>59,426,312</u>
	<u>\$ 68,436,525</u>	<u>\$ 60,557,034</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

Investments

The Organization may legally invest in investments in compliance with Colorado state law.

At December 31, 2025 and 2024, the Organization had the following investments and maturities:

Type	Fair Value	2025	
		Maturities in Years	
		Less than 1	1-5
U.S. Treasury and agency obligations	\$ 40,997,803	\$ 8,041,580	\$ 32,956,223
Money market funds	2,330,855	2,330,855	-
	<u>\$ 43,328,658</u>	<u>\$ 10,372,435</u>	<u>\$ 32,956,223</u>

Type	Fair Value	2024	
		Maturities in Years	
		Less than 1	1-5
U.S. Treasury and agency obligations	\$ 39,907,326	\$ 15,013,284	\$ 24,894,042
Money market funds	1,434,794	1,434,794	-
	<u>\$ 41,342,120</u>	<u>\$ 16,448,078</u>	<u>\$ 24,894,042</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Organization’s investment policy is limited to purchasing securities that mature in five years or less from the date of purchase. Money market funds are not permitted to invest in securities with maturities longer than one year and as such are considered to be in compliance with this policy.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Organization’s policy to limit new purchases of investments to only investments in compliance with Colorado State law. At December 31, 2025 and 2024, the Organization’s investments were in compliance with the policy, including the investments in money market funds which are unrated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Organization will not have any single investment exceed one-third of the total portfolio, except for U.S. Treasury securities and federal agencies. At December 31, 2025 and 2024, the Organization had no investment concentration exceeding 5%.

Foreign Currency Risk – This risk is related to adverse effects on the fair value of an investment from changes in exchange rates. The Organization’s investment policy does not permit foreign currency holdings at December 31, 2025 and 2024.

**Salida Hospital District
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Notes to Financial Statements
December 31, 2025 and 2024**

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	<u>2025</u>	<u>2024</u>
Carrying value		
Deposits	\$ 67,264,611	\$ 59,082,026
Money market funds	2,400,855	1,434,794
Investments	40,997,803	39,907,326
Interest receivable	425,856	444,910
Cash on hand	4,256	4,256
	<u> </u>	<u> </u>
Total	<u>\$ 111,093,381</u>	<u>\$ 100,873,312</u>

Included in the following statements of net position captions:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 63,101,019	\$ 55,224,374
Certificates of deposit	130,722	130,722
Cash and investments internally designated by Board of Directors, current	10,868,291	17,391,781
Noncurrent cash and investments		
Certificates of deposit	500,000	500,000
Internally designated by Board of Directors	35,782,942	26,807,591
Externally restricted by donors	710,407	818,844
	<u> </u>	<u> </u>
Total	<u>\$ 111,093,381</u>	<u>\$ 100,873,312</u>

Investment Income

Investment income for the years ended December 31 consisted of:

	<u>2025</u>	<u>2024</u>
Interest income/realized gains	\$ 4,406,126	\$ 4,380,854
Net change in fair value of investments - unrealized gains and losses	268,998	73,454
	<u> </u>	<u> </u>
Total	<u>\$ 4,675,124</u>	<u>\$ 4,454,308</u>

**Salida Hospital District
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Notes to Financial Statements
December 31, 2025 and 2024**

Note 7. Disclosures About Fair Value of Assets

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

The Organization has the following recurring fair value measurements as of December 31, 2025 and 2024:

- Money market funds of \$2,330,855 and \$1,434,794, respectively, are valued using quoted market prices (Level 1 inputs)
- U.S. Treasury and Agency obligations of \$40,997,803 and \$39,907,326, respectively, are valued using quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset (Level 2 inputs)

Note 8. Investment in Joint Venture

The investment in joint venture relates to a 50% ownership in Enhabit Home Health and Hospice, LLC. The joint venture began operations on January 1, 2006. Financial positions and results of operations of the investee are summarized below:

	2025 (Unaudited)	2024 (Unaudited)
Current assets	\$ 426,497	\$ 839,679
Property and other long-term assets, net	37,073	42,884
Total assets	<u>463,570</u>	<u>882,563</u>
Current liabilities	99,721	198,723
Long-term liabilities	-	7,820
Total liabilities	<u>99,721</u>	<u>206,543</u>
Members' equity	<u>\$ 363,849</u>	<u>\$ 676,020</u>
Net revenues	<u>\$ 1,915,464</u>	<u>\$ 2,319,366</u>
Net income	<u>\$ 144,524</u>	<u>\$ 427,474</u>

Salida Hospital District
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Notes to Financial Statements
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Note 9. Capital, Lease and Subscription Assets

Capital, lease and subscription assets activity for the years ended December 31, 2025 and 2024 are as follows.

	2025				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 2,725,876	\$ -	\$ -	\$ -	\$ 2,725,876
Land improvements	10,267,024	-	-	944,924	11,211,948
Buildings and improvements	44,495,958	97,645	-	3,809,946	48,403,549
Equipment	60,923,157	5,623,107	(837,033)	5,037,444	70,746,675
Construction in progress	5,743,166	6,735,669	-	(9,792,314)	2,686,521
	<u>124,155,181</u>	<u>12,456,421</u>	<u>(837,033)</u>	<u>-</u>	<u>135,774,569</u>
Less accumulated depreciation					
Land improvements	6,219,817	664,468	-	-	6,884,285
Buildings and improvements	17,277,553	1,705,947	-	-	18,983,500
Equipment	38,992,417	4,478,176	(753,183)	-	42,717,410
	<u>62,489,787</u>	<u>6,848,591</u>	<u>(753,183)</u>	<u>-</u>	<u>68,585,195</u>
Total capital assets, being depreciated	<u>61,665,394</u>	<u>5,607,830</u>	<u>(83,850)</u>	<u>-</u>	<u>67,189,374</u>
Lease assets (equipment)	414,148	123,555	(3,695)	-	534,008
Less accumulated amortization	62,750	80,721	(2,032)	-	141,439
Right to use lease assets, net	<u>351,398</u>	<u>42,834</u>	<u>(1,663)</u>	<u>-</u>	<u>392,569</u>
Subscription asset - software	474,168	132,255	(76,268)	-	530,155
Less accumulated amortization	198,541	116,559	(76,268)	-	238,832
Right to use subscription assets, net	<u>275,627</u>	<u>15,696</u>	<u>-</u>	<u>-</u>	<u>291,323</u>
Capital, leased and subscription assets, net	<u>\$ 62,292,419</u>	<u>\$ 5,666,360</u>	<u>\$ (85,513)</u>	<u>\$ -</u>	<u>\$ 67,873,266</u>

**Salida Hospital District
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Notes to Financial Statements
December 31, 2025 and 2024**

	2024				Ending Balance
	Beginning Balance	Additions	Disposals and Retirements	Transfers	
Land	\$ 2,725,876	\$ -	\$ -	\$ -	\$ 2,725,876
Land improvements	9,856,943	56,365	-	353,716	10,267,024
Buildings and improvements	43,665,458	76,273	-	754,227	44,495,958
Equipment	58,524,458	2,569,593	(673,379)	502,485	60,923,157
Construction in progress	2,444,258	4,909,336	-	(1,610,428)	5,743,166
	<u>117,216,993</u>	<u>7,611,567</u>	<u>(673,379)</u>	<u>-</u>	<u>124,155,181</u>
Less accumulated depreciation					
Land improvements	5,610,099	609,718	-	-	6,219,817
Buildings and improvements	15,657,454	1,620,099	-	-	17,277,553
Equipment	35,604,965	4,060,831	(673,379)	-	38,992,417
	<u>56,872,518</u>	<u>6,290,648</u>	<u>(673,379)</u>	<u>-</u>	<u>62,489,787</u>
Total capital assets, being depreciated	<u>60,344,475</u>	<u>1,320,919</u>	<u>-</u>	<u>-</u>	<u>61,665,394</u>
Lease assets (equipment)	180,410	270,555	(36,817)	-	414,148
Less accumulated amortization	46,087	52,564	(35,901)	-	62,750
Right to use lease assets, net	<u>134,323</u>	<u>217,991</u>	<u>(916)</u>	<u>-</u>	<u>351,398</u>
Subscription asset - software	342,763	131,405	-	-	474,168
Less accumulated amortization	104,554	93,987	-	-	198,541
Right to use subscription assets, net	<u>238,209</u>	<u>37,418</u>	<u>-</u>	<u>-</u>	<u>275,627</u>
Capital, leased and subscription assets, net	<u>\$ 60,717,007</u>	<u>\$ 1,576,328</u>	<u>\$ (916)</u>	<u>\$ -</u>	<u>\$ 62,292,419</u>

Note 10. Long-Term Obligations, Lease and Subscription Liabilities

The following is a summary of long-term obligation transactions for the Medical Center for the years ended December 31, 2025 and 2024:

	2025				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-term debt, lease and subscription liabilities					
Note from direct borrowing	\$ 22,825,000	\$ -	\$ 1,610,000	\$ 21,215,000	\$ 1,660,000
Subscription liabilities	261,552	132,255	112,968	280,839	129,218
Lease liabilities	327,282	124,607	70,515	381,374	82,215
	<u>\$ 23,413,834</u>	<u>\$ 256,862</u>	<u>\$ 1,793,483</u>	<u>\$ 21,877,213</u>	<u>\$ 1,871,433</u>
Total long-term liabilities	<u>\$ 23,413,834</u>	<u>\$ 256,862</u>	<u>\$ 1,793,483</u>	<u>\$ 21,877,213</u>	<u>\$ 1,871,433</u>

**Salida Hospital District
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Notes to Financial Statements
December 31, 2025 and 2024**

	2024				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-term debt, lease and subscription liabilities					
Note from direct borrowing	\$ 24,390,000	\$ -	\$ 1,565,000	\$ 22,825,000	\$ 1,610,000
Subscription liabilities	243,276	101,640	83,364	261,552	86,736
Lease liabilities	136,319	236,693	45,730	327,282	48,743
Total long-term liabilities	<u>\$ 24,769,595</u>	<u>\$ 338,333</u>	<u>\$ 1,694,094</u>	<u>\$ 23,413,834</u>	<u>\$ 1,745,479</u>

Note from Direct Borrowing

The note payable to bank, in the original amount of \$23,355,000, is due October 1, 2036. Additionally, the Medical Center borrowed an additional \$10,000,000, to fund the construction, improvement, and equipping of hospital facilities. These proceeds were received on October 1, 2018. Principal on the note is payable annually and interest is payable semi-annually on each April 1 and October 1 with interest at 2.96%.

The Organization's outstanding note from direct borrowing of \$21,215,000 is secured by the Medical Center's net revenues. This outstanding note contains a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due as listed in the events of default in the agreement.

The debt service requirements for the note from direct borrowing as of December 31, 2025, are as follows:

Year Ended December 31,	Total to be Paid	Principal	Interest
2026	\$ 2,287,964	\$ 1,660,000	\$ 627,964
2027	2,288,828	1,710,000	578,828
2028	2,288,212	1,760,000	528,212
2029	2,286,116	1,810,000	476,116
2030	2,287,540	1,865,000	422,540
2031 - 2035	11,441,044	10,190,000	1,251,044
2036	2,285,712	2,220,000	65,712
Total	<u>\$ 25,165,416</u>	<u>\$ 21,215,000</u>	<u>\$ 3,950,416</u>

Note 11. Leases and Subscription-Based Arrangements

Lessee – Liability

The Medical Center leases equipment, the terms of which expire in various years through 2034. The leases were measured based upon the rate that approximates the Medical Centers incremental borrowing rate at lease commencement. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

**Salida Hospital District
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Notes to Financial Statements
December 31, 2025 and 2024**

The following is a schedule by year of payments under the leases as of December 31, 2025:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 97,109	\$ 82,215	\$ 14,894
2027	95,067	83,540	11,527
2028	66,404	58,194	8,210
2029	29,784	23,077	6,707
2030	30,975	25,368	5,607
2031 - 2034	118,325	108,980	9,345
	<u>\$ 437,664</u>	<u>\$ 381,374</u>	<u>\$ 56,290</u>

Lessor – Lease Receivable

A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset in the contract for a period of time in an exchange or exchange-like transaction. Nonfinancial assets include buildings. Lease receivables result from lessor contracts measured at the present value of the lease payments expected to be received during the lease term. The Medical Center has recognized lease receivables for a building and an office space lease. Lease receivables amount to \$281,558 and \$376,175 for December 31, 2025 and 2024, respectively, of which the current portion of \$100,056 and \$93,058, respectively, is included in prepaid and other current assets. The long-term portion is recorded as lease receivables in the accompanying financial statements.

Revenue recognized under lease contracts during the years ended December 31, 2025 and 2024 were \$109,062 and \$116,524, respectively, which includes both lease revenue and interest.

Subscription Liability

The Medical Center has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the SBITAs as of December 31, 2025:

<u>Year Ending December 31,</u>	<u>Total to be Paid</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 137,885	\$ 129,218	\$ 8,667
2027	125,083	121,267	3,816
2028	31,220	30,354	866
	<u>\$ 294,188</u>	<u>\$ 280,839</u>	<u>\$ 13,349</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

Note 12. Risk Management

The Organization is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; 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.

The Medical Center self-insures the cost of employees' health care benefits and has purchased annual stop-loss insurance coverage for individual claims exceeding \$100,000 after satisfaction of the aggregate \$35,000 plan specific limit. A provision is accrued for self-insured employee health claims including both claims reported, and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, and frequency of claims. It is possible that the Medical Center's estimate could change.

Activity in the Medical Center's accrued employee health claims liability during 2025, 2024 and 2023 is summarized as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,300,000	\$ 1,220,000	\$ 1,220,000
Current year claims incurred and changes in estimates for claims incurred in prior years	10,642,544	10,362,651	8,064,335
Claims and expenses paid	<u>(10,342,544)</u>	<u>(10,282,651)</u>	<u>(8,064,335)</u>
Balance, end of year	<u>\$ 1,600,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,220,000</u>

The Medical Center is a member of the Colorado Hospital Association Trust for Workers' Compensation (the Trust). The Trust was formed to provide workers' compensation insurance to member hospitals in Colorado. The Medical Center pays fixed annual premiums to the Trust. The Trust is self-funded and purchases stop-loss insurance coverage.

Note 13. Medical Malpractice Claims

The Medical Center purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term. Further, the Medical Center is subject to the provisions of the *Colorado Governmental Immunity Act*, which provides a limitation on the liability of the Medical Center.

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Notes to Financial Statements
December 31, 2025 and 2024**

Note 14. Restricted Net Position

At December 31, 2025 and 2024, restricted expendable and nonexpendable net position were available for the following purposes:

	2025	2024
Restricted – Expendable For		
Scholarships	\$ 60,142	\$ 70,013
Capital acquisitions	-	38,471
Other	596,003	653,370
	\$ 656,145	\$ 761,854
Restricted – Nonexpendable		
Endowment restricted by donors for investment in perpetuity	\$ 40,000	\$ 40,000

Note 15. Employee Retirement Plans

The Medical Center offers two types of defined contribution retirement plans for its employees. The first is a 401(a) Money Purchase Plan, where employees are required to contribute 3.75% of their pre-tax wages in lieu of Social Security contributions, with the Medical Center matching this amount. The second is a 457(b) plan that allows employees to make additional pre-tax contributions from their wages, subject to IRS-defined limits. The Medical Center matches up to 3.25% of an employee’s wages contributed to the 457(b) plan with the matching contributions directed into the 401(a) plan. Overall, the Medical Center’s contributions are capped at a combined 7% of the employee’s wages, with a maximum employer match of \$15,000 per employee, contingent on the employee’s contributions to the plans.

Pension expense is recorded for the amount of the Medical Center’s required contributions and administrative fees determined in accordance with the terms of the plans. The Medical Center has an appointed investment committee, including the Chief Executive Officer and an external investment advisor, to administer the plans. Benefit provisions are contained in the plan documents and, where established, can be amended by action of the Medical Center’s Board of Directors and management. Employee contributions of pre-tax wages are subject to a maximum set by the Internal Revenue Service.

Contribution rates to all plans for plan members and the Medical Center expressed as a percentage of covered payrolls were 9.02% and 6.10% for 2025 and 8.91% and 5.69% for 2024, respectively. Contributions actually made by plan members and the Medical Center aggregated \$6,587,998 and \$4,455,886 during 2025, and \$5,898,081 and \$3,763,535 during 2024, respectively.

Note 16. Commitments and Contingencies

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. No such loss has been recorded for the years ended December 31, 2025 or 2024. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Risk and Uncertainties

On July 3, 2025, the U.S. Congress enacted the One Big Beautiful Bill Act (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries.

According to the Congressional Budget Office (CBO) and the American Hospital Association (AHA), these provisions are projected to reduce federal Medicaid spending by nearly \$1 trillion over 10 years and may result in the loss of Medicaid or marketplace coverage for approximately 11.8 million individuals.

Key provisions impacting healthcare providers include:

- A freeze and phased reduction in provider taxes and state-directed payments (SDPs), with estimated reductions in hospital payments totaling approximately \$340 billion over 10 years.
- Implementation of Medicaid work requirements and cost-sharing obligations for certain adult beneficiaries.
- Restrictions on Medicaid and Medicare eligibility for specific non-citizen populations.
- Elimination or modification of several tax credits and deductions related to clean energy and nonprofit institutions.

The OBBBA has not had a material impact on the financial results to date as many aspects of the legislation are effective for future periods. The Organization is currently evaluating what impact the OBBBA will have on the financial results, cash flows and financial position for future periods

Supplementary Information

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Combining Statement of Net Position
December 31, 2025**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 62,275,738	\$ 825,281	\$ -	\$ 63,101,019
Certificates of deposit	-	130,722	-	130,722
Patient accounts receivable, net of allowance of \$8,781,593	21,181,313	-	-	21,181,313
Inventories	7,388,417	-	-	7,388,417
Prepaid expenses and other	2,090,941	-	-	2,090,941
Cash and investments internally designated by Board of Directors, current	<u>10,868,291</u>	<u>-</u>	<u>-</u>	<u>10,868,291</u>
Total Current Assets	<u>103,804,700</u>	<u>956,003</u>	<u>-</u>	<u>104,760,703</u>
Noncurrent Cash and Investments				
Cash and investments internally designated by Board of Directors	35,441,615	341,327	-	35,782,942
Certificates of deposit	500,000	-	-	500,000
Externally restricted by donors	<u>40,000</u>	<u>670,407</u>	<u>-</u>	<u>710,407</u>
Total Noncurrent Cash and Investments	<u>35,981,615</u>	<u>1,011,734</u>	<u>-</u>	<u>36,993,349</u>
Investment in Joint Venture	<u>181,924</u>	<u>-</u>	<u>-</u>	<u>181,924</u>
Capital, Leased and Subscription Assets, Net	<u>67,873,266</u>	<u>-</u>	<u>-</u>	<u>67,873,266</u>
Other Assets				
Lease receivable	181,502	-	-	181,502
Property tax receivable	<u>909,436</u>	<u>-</u>	<u>-</u>	<u>909,436</u>
Total Assets	<u>\$ 208,932,443</u>	<u>\$ 1,967,737</u>	<u>\$ -</u>	<u>\$ 210,900,180</u>

Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Combining Statement of Net Position
December 31, 2025

(Continued)

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 4,077,651	\$ -	\$ -	\$ 4,077,651
Accrued compensation and compensated absences	6,615,080	-	-	6,615,080
Current maturities of long-term debt, lease and subscription liabilities	1,871,433	-	-	1,871,433
Estimated amounts due to third-party payers	8,071,821	-	-	8,071,821
Other current liabilities	3,225,729	-	-	3,225,729
Estimated self-insurance costs	1,600,000	-	-	1,600,000
Total Current Liabilities	<u>25,461,714</u>	<u>-</u>	<u>-</u>	<u>25,461,714</u>
Other Liabilities				
Long-term debt, lease and subscription liabilities	20,005,780	-	-	20,005,780
Total Other Liabilities	<u>20,005,780</u>	<u>-</u>	<u>-</u>	<u>20,005,780</u>
Total Liabilities	<u>45,467,494</u>	<u>-</u>	<u>-</u>	<u>45,467,494</u>
Deferred Inflows of Resources				
Lease related	257,441	-	-	257,441
Property tax related	909,436	-	-	909,436
Total Deferred Inflows of Resources	<u>1,166,877</u>	<u>-</u>	<u>-</u>	<u>1,166,877</u>
Total Liabilities and Deferred Inflows of Resources	<u>46,634,371</u>	<u>-</u>	<u>-</u>	<u>46,634,371</u>
Net Position				
Net investment in capital assets	44,557,840	-	-	44,557,840
Restricted - expendable for				
Scholarships	-	60,142	-	60,142
Other	-	596,003	-	596,003
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	117,700,232	1,311,592	-	119,011,824
Total Net Position	<u>162,298,072</u>	<u>1,967,737</u>	<u>-</u>	<u>164,265,809</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 208,932,443</u>	<u>\$ 1,967,737</u>	<u>\$ -</u>	<u>\$ 210,900,180</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Combining Statement of Net Position
December 31, 2024**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 54,446,301	\$ 778,073	\$ -	\$ 55,224,374
Certificates of deposit	-	130,722	-	130,722
Patient accounts receivable, net of allowance of \$7,778,899	20,569,913	-	-	20,569,913
Inventories	6,803,490	-	-	6,803,490
Prepaid expenses and other	1,696,858	24,000	-	1,720,858
Cash and investments internally designated by Board of Directors, current	<u>17,391,781</u>	<u>-</u>	<u>-</u>	<u>17,391,781</u>
Total Current Assets	<u>100,908,343</u>	<u>932,795</u>	<u>-</u>	<u>101,841,138</u>
Noncurrent Cash and Investments				
Cash and investments internally designated by Board of Directors	26,483,254	324,337	-	26,807,591
Certificates of deposit	500,000	-	-	500,000
Externally restricted by donors	<u>40,000</u>	<u>778,844</u>	<u>-</u>	<u>818,844</u>
Total Noncurrent Cash and Investments	<u>27,023,254</u>	<u>1,103,181</u>	<u>-</u>	<u>28,126,435</u>
Investment in Joint Venture	<u>338,010</u>	<u>-</u>	<u>-</u>	<u>338,010</u>
Capital, Leased and Subscription Assets, Net	<u>62,292,419</u>	<u>-</u>	<u>-</u>	<u>62,292,419</u>
Other Assets				
Lease receivable	283,119	-	-	283,119
Property tax receivable	<u>867,438</u>	<u>-</u>	<u>-</u>	<u>867,438</u>
Total Assets	<u>\$ 191,712,583</u>	<u>\$ 2,035,976</u>	<u>\$ -</u>	<u>\$ 193,748,559</u>

Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Combining Statement of Net Position
December 31, 2024

(Continued)

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Current Liabilities				
Accounts payable	\$ 4,064,332	\$ 1,621	\$ -	\$ 4,065,953
Accrued compensation and compensated absences	5,479,192	-	-	5,479,192
Current maturities of long-term debt, lease and subscription liabilities	1,745,479	-	-	1,745,479
Estimated amounts due to third-party payers	1,126,895	-	-	1,126,895
Other current liabilities	2,276,386	-	-	2,276,386
Estimated self-insurance costs	1,300,000	-	-	1,300,000
Total Current Liabilities	<u>15,992,284</u>	<u>1,621</u>	<u>-</u>	<u>15,993,905</u>
Other Liabilities				
Long-term debt, lease and subscription liabilities	21,668,355	-	-	21,668,355
Total Other Liabilities	<u>21,668,355</u>	<u>-</u>	<u>-</u>	<u>21,668,355</u>
Total Liabilities	<u>37,660,639</u>	<u>1,621</u>	<u>-</u>	<u>37,662,260</u>
Deferred Inflows of Resources				
Lease related	353,982	-	-	353,982
Property tax related	867,438	-	-	867,438
Total Deferred Inflows of Resources	<u>1,221,420</u>	<u>-</u>	<u>-</u>	<u>1,221,420</u>
Total Liabilities and Deferred Inflows of Resources	<u>38,882,059</u>	<u>1,621</u>	<u>-</u>	<u>38,883,680</u>
Net Position				
Net investment in capital assets	38,406,383	-	-	38,406,383
Restricted - expendable for				
Scholarships	-	70,013	-	70,013
Capital acquisitions	-	38,471	-	38,471
Other	-	653,370	-	653,370
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	114,384,141	1,272,501	-	115,656,642
Total Net Position	<u>152,830,524</u>	<u>2,034,355</u>	<u>-</u>	<u>154,864,879</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 191,712,583</u>	<u>\$ 2,035,976</u>	<u>\$ -</u>	<u>\$ 193,748,559</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2025**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts of \$6,071,410	\$ 152,065,413	\$ -	\$ -	\$ 152,065,413
Other operating revenue	8,749,498	-	-	8,749,498
Total Operating Revenues	<u>160,814,911</u>	<u>-</u>	<u>-</u>	<u>160,814,911</u>
Operating Expenses				
Salaries and wages	73,030,269	19,368	-	73,049,637
Employee benefits	17,328,488	-	-	17,328,488
Supplies and pharmaceuticals	35,669,700	-	-	35,669,700
Purchased services	5,418,510	10,942	-	5,429,452
Professional fees	4,789,270	-	-	4,789,270
Depreciation and amortization	7,045,871	-	-	7,045,871
Provider fee expense	3,750,588	-	-	3,750,588
Repairs and maintenance	4,096,259	-	-	4,096,259
Utilities	1,038,612	-	-	1,038,612
Insurance	610,883	-	-	610,883
Other expenses	5,270,509	16,842	-	5,287,351
Total Operating Expenses	<u>158,048,959</u>	<u>47,152</u>	<u>-</u>	<u>158,096,111</u>
Operating Income (Loss)	<u>2,765,952</u>	<u>(47,152)</u>	<u>-</u>	<u>2,718,800</u>
Nonoperating Revenues (Expenses)				
Property tax	928,238	-	-	928,238
Interest income	4,321,783	84,343	-	4,406,126
Noncapital grants and gifts	1,451,567	364,243	(25,649)	1,790,161
Contributions to the Medical Center	-	(332,445)	332,445	-
Gain on investments	268,998	-	-	268,998
Interest expense	(690,562)	-	-	(690,562)
Gain on sale of capital assets	5,104	-	-	5,104
Gain on investment in equity investee	72,263	-	-	72,263
Other expenses	-	(135,607)	-	(135,607)
Total Nonoperating Revenues (Expenses)	<u>6,357,391</u>	<u>(19,466)</u>	<u>306,796</u>	<u>6,644,721</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	9,123,343	(66,618)	306,796	9,363,521
Gifts and Grants to Purchase Capital Assets	<u>344,205</u>	<u>-</u>	<u>(306,796)</u>	<u>37,409</u>
Increase (Decrease) in Net Position	9,467,548	(66,618)	-	9,400,930
Net Position, Beginning of Year	<u>152,830,524</u>	<u>2,034,355</u>	<u>-</u>	<u>154,864,879</u>
Net Position, End of Year	<u>\$ 162,298,072</u>	<u>\$ 1,967,737</u>	<u>\$ -</u>	<u>\$ 164,265,809</u>

**Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2024**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts of \$5,018,792	\$ 150,676,734	\$ -	\$ -	\$ 150,676,734
Other operating revenue	6,964,636	-	-	6,964,636
Total Operating Revenues	<u>157,641,370</u>	<u>-</u>	<u>-</u>	<u>157,641,370</u>
Operating Expenses				
Salaries and wages	66,162,388	17,064	-	66,179,452
Employee benefits	16,259,140	-	-	16,259,140
Supplies and pharmaceuticals	30,834,310	-	-	30,834,310
Purchased services	4,548,369	7,110	-	4,555,479
Professional fees	4,189,740	-	-	4,189,740
Depreciation and amortization	6,437,199	-	-	6,437,199
Provider fee expense	3,340,832	-	-	3,340,832
Repairs and maintenance	3,874,885	-	-	3,874,885
Utilities	952,880	-	-	952,880
Insurance	707,624	-	-	707,624
Other expenses	4,682,221	11,647	-	4,693,868
Total Operating Expenses	<u>141,989,588</u>	<u>35,821</u>	<u>-</u>	<u>142,025,409</u>
Operating Income (Loss)	<u>15,651,782</u>	<u>(35,821)</u>	<u>-</u>	<u>15,615,961</u>
Nonoperating Revenues (Expenses)				
Property tax	960,588	-	-	960,588
Interest income	4,220,649	160,205	-	4,380,854
Noncapital grants and gifts	166,254	311,601	(13,860)	463,995
Contributions to the Medical Center	-	(1,635,726)	1,635,726	-
Gain on investments	73,454	-	-	73,454
Interest expense	(731,113)	-	-	(731,113)
Gain on sale of capital assets	18,992	-	-	18,992
Gain on investment in equity investee	213,737	-	-	213,737
Other expenses	1,000	(139,057)	-	(138,057)
Total Nonoperating Revenues (Expenses)	<u>4,923,561</u>	<u>(1,302,977)</u>	<u>1,621,866</u>	<u>5,242,450</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	20,575,343	(1,338,798)	1,621,866	20,858,411
Gifts and Grants to Purchase Capital Assets	<u>1,716,045</u>	<u>-</u>	<u>(1,621,866)</u>	<u>94,179</u>
Increase (Decrease) in Net Position	22,291,388	(1,338,798)	-	20,952,590
Net Position, Beginning of Year	<u>130,539,136</u>	<u>3,373,153</u>	<u>-</u>	<u>133,912,289</u>
Net Position, End of Year	<u>\$ 152,830,524</u>	<u>\$ 2,034,355</u>	<u>\$ -</u>	<u>\$ 154,864,879</u>

Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Budgeted and Actual Revenues and Expenses – Medical Center Only
Year Ended December 31, 2025

	<u>Actual</u>	<u>Budget</u>	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 152,065,413	\$ 164,342,199	\$ (12,276,786)
Other operating revenue	8,749,498	6,390,187	2,359,311
Total Operating Revenues	<u>160,814,911</u>	<u>170,732,386</u>	<u>(9,917,475)</u>
Operating Expenses			
Salaries, wages and employee benefits	90,358,757	95,949,546	5,590,789
Other operating expenses	67,690,202	65,637,084	(2,053,118)
Total Operating Expenses	<u>158,048,959</u>	<u>161,586,630</u>	<u>3,537,671</u>
Operating Income	2,765,952	9,145,756	(6,379,804)
Nonoperating Revenues, Net	<u>6,357,391</u>	<u>3,998,136</u>	<u>2,359,255</u>
Excess of Revenues Over Expenses Before Capital Gifts	<u>\$ 9,123,343</u>	<u>\$ 13,143,892</u>	<u>\$ (4,020,549)</u>

Notes to Schedule

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.

Appropriations are adopted by resolution in total. There were no supplemental budgets adopted during 2025.