

MONTEZUMA COUNTY HOSPITAL DISTRICT
EMS Training Room, Southwest Health System
WEDNESDAY, May 20, 2026
Meeting Starts: 6:00pm

AGENDA

6:00pm Call to Order - 5 minutes

Roll Call

Changes or additions to agenda

Public Comment: *Public is invited to attend and provide comments please RSVP taspromonte@swhealth.org as seating is limited.*

ANNUAL MEETING ACTIVITY- Keenen Lovett

CONSENT AGENDA (Enclosure 1) - 5 minutes

- April 15, 2026 Regular Meeting Minutes [Pg 3](#)
- Payment of Bills [Pg 6](#)

REPORTS and ACTION ITEMS

SHS Report (Enclosure 2)

- SHS Board Report - 5 minutes
- Finance Report/2025 Audit [Pg 15](#) - 10 minutes
- CEO Report [Pg 46](#) - 5 minutes

Financial Report (Enclosure 3)

- Financial Report [Pg 48](#) - 10 minutes

Capital Infrastructure Committee Report

- Report [Pg 55](#) - 15 minutes
- Collective Energy Update
- 1, 5, and 10-year Plan [Pg 57](#)

Foundation Update - 5 minutes

Optional Board Member Presentation/Report - 15 minutes

- Payment of Bills Due Prior to Board Meeting
- Maintenance Discussion
- Signed MOU SHS/MCHD [\(separate attachment\)](#)

Attorney Report - 10 minutes

- Contract Status for Owner's Rep Collective Energy

Adjournment

Mission Statement

It is the mission of the Montezuma County Hospital District to assure high quality healthcare facilities for the community, Montezuma County, and the surrounding areas and to provide support and assistance in a manner which is consistent with a high standard of healthcare.



Consent Agenda



Mission Statement

It is the mission of the Montezuma County Hospital District to assure high quality healthcare facilities for the community, Montezuma County, and the surrounding areas and to provide support and assistance in a manner which is consistent with a high standard of healthcare.

**Montezuma County Hospital District Regular Board Meeting
EMS Training Room
April 15, 2026**

Present:

Also Present:

Brandon Johnson, Chairperson	Adam Conley, SHS CFO (via Teams)	Recorded by:
Bob Ower, Vice Chair	Eric Croke, SHS Vice-Chair	
Abby Neutzel, Director	Joe Theine, SHS CEO	
Scott Anderson, Director	Danny Ettelson, Collective Energy (via Teams)	Counsel:
Marti Justice, Director	Damon Taugher, Collective Energy (via Teams)	Keenen Lovett, MCHD Attorney
Jerry Whited, Director	Rob Owens, Plant Operations Director	
		Excused/Absent:
		Sean Flaherty, Scty/Treas
		Bridgett Jabour, Secretary

Agenda Item/Topic	Findings and Discussions	Conclusions, Recommendations, Actions, and/or Motions	Follow-up Responsible Party
Call to order	MCHD Chair Brandon Johnson called the meeting to order at 6:00 pm.		
Roll Call	The roll was called by Mr. Johnson.		
Change/Additions to Agenda	None.		
Public Comment	None.		
Consent Agenda	March 18, 2026 Regular Meeting Minutes Payment of Bills	It was moved and seconded to approve the consent agenda as presented. MOTION: Abby Neutzel SECOND: Bob Ower Motion carried.	
<u>REPORTS and ACTION ITEMS</u>			
SHS CFO Adam Conley Financial Report	SHS CFO Adam reviewed February financials with the MCHD Board. SHS is well under budget for volumes. Patient days were lower than budget and have been trending down the last few months. Net Revenue for		

Agenda Item/Topic	Findings and Discussions	Conclusions, Recommendations, Actions, and/or Motions	Follow-up Responsible Party
	February is -\$851k. EBIDA is -\$151k for February. DCOH is 109 days. Ratios and operational analysis reviewed.		
SHS CEO Joe Theine Operational Report	<p>Mr. Theine provided the enclosed report and advised that Cerner ambulatory implementation as the electronic health record for the clinic services aligning with the hospital-based services for one record for all services provided.</p> <p>Mr. Theine discussed the state and federal updates and legislative environment and how that affects SHS and rural healthcare in general to pivot as needed to maintain our ability to fulfill our mission in the community.</p> <p>Mr. Johnson and Mr. Theine spoke about having a joint meeting from 3-5p on May 20th before the MCHD annual meeting.</p>	Follow up with MCHD and SHS on joint meeting May 20 th from 3-5pm.	Joe Theine Brandon Johnson
MCHD Financial Report – Sean Flaherty Scy/Treas	<p>Mr. Flaherty was not in attendance.</p> <p>Mr. Johnson shared account summaries with Vectra and shared that the Draft 2025 Audit will be emailed out to everyone for review.</p>	Ms. Jabour and Mr. Lovett to distribute the draft 2025 audit to stakeholders for review.	Bridgett Jabour Keenen Lovett
Capital Infrastructure Committee	Geotechnical survey is complete. Engineering plans are underway for the boiler room and dirt work project, and Boiler 1 requires retubing before fall.		
Collective Energy Introduction Microgrid Project Owner’s Rep	Collective Energy will conduct a site visit before the next Capital Infrastructure Committee meeting. A representative will present additional information at that meeting.		
Foundation Report, Bob Ower	The Foundation awarded eight cancer grants totaling \$8,000.		
Optional Board Member Presentation/Report	The board debated on whether to approve a bill immediately or wait for the next meeting, discussing past practices and the need for handling in the future.	Add to May agenda to follow up on best practice.	Sean Flaherty

Agenda Item/Topic	Findings and Discussions	Conclusions, Recommendations, Actions, and/or Motions	Follow-up Responsible Party
Attorney Report	Collective Energy will serve as the owner’s representative for the complete development and construction cycle for the Microgrid project, with the MCHD Board retaining final approval of contractor selection. An update on the draft audit was provided, noting minor revisions remain, including the latest lease amendment. Board members also discussed distributing the lease agreement prior to the annual meeting for review.	Discussion was held regarding the MOU outlining administrative, IT, and support services. Leadership confirmed the agreement was previously finalized and will ensure it is circulated and signed as needed.	Joe Theine Keenen Lovett
Adjournment	Board members were invited to attend the Barbecue event scheduled for May 20 th , and reminder that the Joint MCHD/SHS Board meeting is from 3-5pm prior to the annual and regular meeting beginning at 6pm.	It was moved and seconded to adjourn the meeting at 6:40 pm. Motion carried.	

Bridgett Jabour, MCHD Secretary

Sean Flaherty, Secretary/Treasurer

**CONSENT
AGENDA
PAYMENT OF BILLS**

May 2026 Bills

Vendor	Description	Amount
Kelly R. McCabe, PC	Invoice 7086	\$ 956.76
Walston Advisory Firm	Invoice 6445	\$ 366.00
Collective Energy Management	Development Consulting Inv #1045	\$ 101,800.00
Jones & DeMille Engineering	Boiler Room and Ret Wall Des Inv#0140810	\$ 7,100.00
		\$ 110,222.76



McCABE • LOVETT • McCABE

ATTORNEYS AT LAW

22 E. Main Street
Cortez, Colorado 81321
United States
Phone: 970-565-7209
Fax: 970-565-6355
www.mccabelawcortez.com

INVOICE

Invoice # 7086
Date: 05/01/2026
Due On: 05/31/2026

MONTEZUMA C. HOSPITAL DISTRICT .
P.O. Box 1034
Cortez, CO 81321

Statement of Account

Outstanding Balance	New Charges	Payments Received	Total Amount Outstanding
(\$0.00	+ \$956.76) - (\$0.00) = \$956.76

Please make all amounts payable to: Kelly R. McCabe P.C.
Invoice includes 2% credit card service charge. (If paying by check or cash pay the SUBTOTAL below.)

Montezuma C. Hospital District - 9001

Type	Date	Notes	Quantity	Attorney	Rate	Total
Service	04/15/2026	Preparation for April meeting; Review draft Audit	0.60	KDL	\$335.00	\$201.00
Service	04/15/2026	Attendance at April Meeting	0.70	KDL	\$335.00	\$234.50
Service	04/20/2026	Review of Collective Energy (CE) Subcontractor Agreement and call with CE	1.50	KDL	\$335.00	\$502.50

Time Keeper	Quantity	Rate	Total
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Pay online

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Or [click here](#) if you're viewing on a computer

Keenen Lovett	2.8	\$335.00	\$938.00
		Subtotal	\$938.00
		Credit Card Service Charge (2.0%)	\$18.76
		Total	\$956.76

Detailed Statement of Account

Current Invoice

Invoice Number	Due On	Amount Due	Payments Received	Balance Due
7086	05/31/2026	\$956.76	\$0.00	\$956.76
			Outstanding Balance	\$956.76
			Total Amount Outstanding	\$956.76

Account	Balance
DSB- Trust Account Balance	\$0.00
Total Account Balance	
	\$0.00

Please make all amounts payable to: Kelly R. McCabe, PC



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Or [click here](#) if you're viewing on a computer

Walston Bookkeeping LLC
204 E Fort Union Blvd Ste 202
Midvale, UT 84047
<https://www.walstonadvisoryfirm.com/>
info@walstonadvisoryfirm.com
(801) 263-0400



Invoice

Montezuma County Hospital District
sean.flaherty@montezumahospitalco.gov

Invoice number: 6445
Date: 05-05-2026

Product or service	Rate (\$)	Qty	Amount
Consulting - Fractional CFO preparing docs for auditor	\$450.00	0.43	\$193.50
Bookkeeping April bank Recons and report creation	\$150.00	0.5	\$75.00
Bookkeeping Reviewing bills and creating checks	\$195.00	0.5	\$97.50
	Subtotal		\$366.00
	Total		\$366.00

Collective Energy Management

605 Pope Ln
Ojai, CA 93023
maccalla@collectiveenergyco.com



INVOICE

BILL TO
Adam Conley
Montezuma County Hospital District
1311 N Mildred Road
Cortez, CO 81321

INVOICE 1045
DATE 04/09/2026
DUE DATE 05/09/2026

ACTIVITY	DESCRIPTION	TOTAL
Development Consulting	Invoice for Development Manager Services (DMS) for the Project located at Southwest Memorial Hospital - 1311 N Mildred: Milestone payment #1 for Contract Execution is 40% of total DMS fee, which is equal to 10% of total estimated project costs of \$2,545,000. Current payment due: \$101,800	101,800.00

Payment:
1st Century Bank
Account #6011933785
Routing #122243761

BALANCE DUE

\$101,800.00



Jones & DeMille Engineering

www.jonesanddemille.com/pay | 800.748.5275
1535 South 100 West, Richfield, UT 84701

Professional Services Invoice

April 20, 2026

Project No: 2602-064.00

Invoice No: 0140810

Southwest Memorial Hospital - 2026 Southwest Memorial Boiler Room and Retaining Wall Design

Project Manager: Javen Ivins

Brandon Johnson
Project Manager
Montezuma County Hospital District
1311 N Mildred Rd
Cortez, CO 81321

TOTAL THIS INVOICE \$7,100.00

OUTSTANDING INVOICES

TOTAL AMOUNT DUE \$7,100.00

Total billed, received, and outstanding information can be viewed at the bottom of this invoice."

Professional Services from March 01, 2026 to March 31, 2026

Phase	50	Structural Design		
Fee				
Total Fee		8,500.00		
Percent Complete	20.00	Total Earned	1,700.00	
		Previous Fee Billing	0.00	
		Current Fee Billing	1,700.00	
		Total Fee		1,700.00
			Total this Phase	\$1,700.00
<hr/>				
Phase	51	Site Design		
Fee				
Total Fee		11,250.00		
Percent Complete	10.00	Total Earned	1,125.00	
		Previous Fee Billing	0.00	
		Current Fee Billing	1,125.00	
		Total Fee		1,125.00
			Total this Phase	\$1,125.00
<hr/>				
Phase	90	Subcon - Montelores Survey		
Fee				
Total Fee		4,750.00		
Percent Complete	90.00	Total Earned	4,275.00	
		Previous Fee Billing	0.00	
		Current Fee Billing	4,275.00	
		Total Fee		4,275.00
			Total this Phase	\$4,275.00
			TOTAL THIS INVOICE	\$7,100.00

Project	2602-064.00	SW Mem Hosp-Boiler Room/Retain Wall DES	Invoice	0140810
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	Current	Prior	Total Billed	Received	A/R Balance
Billings to Date	7,100.00	0.00	7,100.00	0.00	7,100.00

Thank you - we appreciate your business!

TERMS: NET 30 DAYS, 1.5% Finance Charge per Month on Past Due Invoices.

Please remit payment to 1535 South 100 West, Richfield, UT 84701 or at <https://jonesanddemille.com/pay>

Credit card transactions over \$5,000 will be subject to a 3% processing fee.

SHS Report



Mission Statement

It is the mission of the Montezuma County Hospital District to assure high quality healthcare facilities for the community, Montezuma County, and the surrounding areas and to provide support and assistance in a manner which is consistent with a high standard of healthcare.

Finance Committee Report – April

Board Meeting Date: March 25, 2026

Committee or Staff Completing Report: Finance Committee

Date of Committee Meeting (if applicable): March 19, 2026



Wins – one to two highlights of what has gone well.
<ul style="list-style-type: none"> 1) We completed our 2025 Audit and Cost Report! 1.2M Pick up from the cost report. Reopened 2024 2) ER Conversion (admit) rate hit a 12 month high
Opportunities – one to two highlights of current upcoming opportunities or challenges.
<ul style="list-style-type: none"> 1) Swing Bed volumes remain below not only budget but also prior year by a significant margin.
Report
<p>Volumes</p> <ul style="list-style-type: none"> - Adjusted patient days of 2,413 favorable as compared to both budget and prior year. Still unfavorable compared to both budget and prior year on a year-to-date basis. - Clinic volumes (both rural health clinic RHC, and Specialty) are unfavorable compared to budget, but favorable as compared to prior year for March. Unfavorable compared to both budget and prior year on a YTD basis. - Acute Admissions, ER visits, and Lab tests all hit six month highs. - Medicare Case Mix Index (measure of acuity or sickness) hit a six month high. <p>Operating Performance</p> <ul style="list-style-type: none"> - Gross Revenue – Unfavorable in March and on a YTD basis as compared to budget and prior year. - Deductions from Revenue – Favorable as compared to both budget and unfavorable to Prior year. <ul style="list-style-type: none"> o As Gross charges increase deductions will naturally increase and vice versa as there is a direct relationship between gross charges and deductions from revenue but the impact on the income statement is inverse. o Lookback analysis lead to increasing reserves. - Net Patient Service Revenue (NPSR) - Unfavorable as compared to budget and as compared to prior year. <ul style="list-style-type: none"> o Expected amount to collect in cash after all claims are fully adjudicated. o NPSR % is 39.8% less than budget of 42.1% and prior year of 44.2% <ul style="list-style-type: none"> ▪ This is in line with six month trend average of 40.5% adjusting for October and December. ▪ Received 98k in March for a CHASE reserve refund. Increased March NPSR % to 40.5% o Increases in our reserves (deductions from revenue) over 2025 are the leading cause of the drop in NPSR % <ul style="list-style-type: none"> ▪ Cash to NPSR is now trending at 100.4%. Perfect would be 100% - Operating Expenses <ul style="list-style-type: none"> o Overall operating expenses are favorable as compared to budget and unfavorable to prior year. o Total Operating expenses are averaging 125% of NPSR as compared to 101% in prior year. <ul style="list-style-type: none"> ▪ This is mainly driven by Contract Labor above budget by 396k and prior year by 847k. ▪ Pharma Supply and Purch Services have also increased above prior year but are in line with budgetary expectations. - EBIDA <ul style="list-style-type: none"> o 221k is unfavorable as compared to budget of \$603k and to prior year of \$1.8M o Adjusted EBIDA is negative \$1.5M as compared to \$2.3M positive prior year. - Balance Sheet <ul style="list-style-type: none"> o Current ratio (Current Assets/Current Liabilities) = 2.48 down from 2.54 in February. o Total Reportable Days Cash on Hand 109 days. o Adjusted days cash on hand 98 days.
Enclosures:
<p>Audit Report Board Graphs Volumes and Utilization Operating Summary Income Statement Balance Sheet Statement of Cash Flow Bond Debt Schedule Ratios</p>



SOUTHWEST HEALTH SYSTEM, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

CPAs / ADVISORS



SOUTHWEST HEALTH SYSTEM, INC.

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Blue & Co., LLC / 2650 Eastpoint Parkway, Suite 300 / Louisville, KY 40223
main 502.992.3500 fax 502.992.3509 email blue@blueandco.com

blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Southwest Health System, Inc.
Cortez, Colorado

Opinion

We have audited the accompanying financial statements of Southwest Health System, Inc. (the "Health System"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Health System as of December 31, 2025 and 2024, and the changes in its net assets 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. 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 Health System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Health System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Southwest Health System, Inc.
Cortez, Colorado

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health System'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 Health System'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.

Blue & Co., LLC

Louisville, Kentucky
April 22, 2026

SOUTHWEST HEALTH SYSTEM, INC.

BALANCE SHEETS DECEMBER 31, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Current assets		
Cash and cash equivalents	\$ 5,451,765	\$ 5,935,501
Short-term investments	9,715,128	9,175,164
Patient accounts receivable	6,388,444	7,183,390
Inventories	1,908,241	1,596,680
Prepaid expenses and other current assets	1,790,020	1,342,402
Other assets, current portion	141,908	111,423
Total current assets	<u>25,395,506</u>	<u>25,344,560</u>
Assets whose use is limited	9,702,609	7,385,314
Right-of-use assets under operating leases, net	182,702	225,525
Right-of-use assets under finance leases, net	-0-	12,127
Property and equipment, net	27,594,852	29,272,596
Other assets, net of current portion	<u>435,828</u>	<u>350,264</u>
Total assets	<u>\$ 63,311,497</u>	<u>\$ 62,590,386</u>

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

LIABILITIES AND NET ASSETS

	<u>2025</u>	<u>2024</u>
Current liabilities		
Accounts payable	\$ 3,531,729	\$ 3,613,800
Patient refunds payable	464,343	1,907,258
Accrued personnel costs	2,948,661	3,137,914
Accrued expenses	300,104	300,624
Estimated third-party payor settlements	73,272	3,045,536
Deferred revenue	-0-	8,479
Current portion of long-term debt	915,079	1,477,018
Current portion of operating lease liabilities	27,531	77,110
Current portion of finance lease liabilities	-0-	13,546
Total current liabilities	<u>8,260,719</u>	<u>13,581,285</u>
Long-term liabilities		
Long-term debt, net of current portion	23,186,813	24,058,017
Operating lease liabilities, net of current portion	155,171	148,415
Deferred compensation liabilities	925,004	1,059,220
Total long-term liabilities	<u>24,266,988</u>	<u>25,265,652</u>
Total liabilities	32,527,707	38,846,937
Net assets without donor restrictions	<u>30,783,790</u>	<u>23,743,449</u>
Total liabilities and net assets	<u>\$ 63,311,497</u>	<u>\$ 62,590,386</u>

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
Operating revenues		
Net patient service revenue	\$ 73,918,716	\$ 74,065,574
Pharmacy revenue	7,236,331	6,108,144
Other operating revenue	1,334,000	781,532
Total operating revenues	82,489,047	80,955,250
Operating expenses		
Salaries and wages	37,832,530	38,430,734
Employee benefits and payroll taxes	6,984,876	6,887,200
Professional fees	1,564,566	1,724,324
Purchased services	6,606,310	5,516,327
Drugs and medical supplies	14,581,707	13,106,670
Other supplies	909,077	972,573
Depreciation	3,072,296	3,424,709
Repairs and maintenance	1,554,844	1,679,087
Utilities	892,689	995,533
Insurance	918,463	1,004,770
Rent	140,306	148,241
Interest	1,258,201	1,380,792
Provider tax	2,977,469	2,774,314
Other operating expenses	953,524	1,186,090
Total operating expenses	80,246,858	79,231,364
Income (loss) from operations	2,242,189	1,723,886
Nonoperating revenues (expenses)		
Sales tax revenue	2,328,596	2,210,906
Investment income, net	1,069,982	619,050
Contributions	585,132	818,559
Other	814,442	7,540
Total nonoperating revenues (expenses)	4,798,152	3,656,055
Excess revenues (expenses) and change in net assets	7,040,341	5,379,941
Net assets, beginning of year	23,743,449	18,363,508
Net assets, end of year	\$ 30,783,790	\$ 23,743,449

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

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

	2025	2024
Operating activities		
Change in net assets	\$ 7,040,341	\$ 5,379,941
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	3,072,296	3,424,709
Amortization of bond issue costs included in interest expense	40,172	6,103
(Gain) loss on disposal of property and equipment	14,989	640
Net realized gains and losses and unrealized gains and losses on investments and assets whose use is limited	(301,772)	(59,351)
Changes in operating assets and liabilities		
Patient accounts receivable	794,946	(984,833)
Inventories	(311,561)	(159,871)
Prepaid expenses and other current assets	(447,618)	102,282
Accounts payable	(61,919)	(1,590,034)
Patient refunds payable	(1,442,915)	506,289
Accrued personnel costs	(189,253)	1,015,570
Accrued expenses	(520)	285,670
Estimated third-party payor settlements	(2,972,264)	(1,235,421)
Deferred revenue	(8,479)	(156,356)
Deferred compensation liabilities	(134,216)	185,558
Net cash flows from operating activities	5,092,227	6,720,896
Investing activities		
Purchases of property and equipment	(1,417,566)	(769,850)
Change in investments and assets whose use is limited	(2,555,487)	(1,833,809)
Change in other assets	(116,049)	(212,668)
Net cash flows from investing activities	(4,089,102)	(2,816,327)
Financing activities		
Principal payments on long-term debt	(1,473,315)	(1,560,446)
Principal payments on finance lease obligations	(13,546)	(20,609)
Net cash flows from financing activities	(1,486,861)	(1,581,055)
Net change in cash and cash equivalents	(483,736)	2,323,514
Cash and cash equivalents, beginning of year	5,935,501	3,611,987
Cash and cash equivalents, end of year	\$ 5,451,765	\$ 5,935,501
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,218,029	\$ 1,374,689
Right-of-use assets acquired under operating lease liabilities	\$ -0-	\$ 62,436
Right-of-use assets acquired under finance lease liabilities	\$ -0-	\$ -0-
Property and equipment acquired included in accounts payable	\$ 30,400	\$ 50,552

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

1. NATURE OF OPERATIONS

Southwest Health System, Inc. (the "Health System") was incorporated on March 8, 1996, for the purpose of operating Southwest Memorial Hospital. The Health System operates an acute-care hospital and clinic located in Cortez, Colorado. Montezuma County Hospital District ("MCHD"), a political subdivision of the State of Colorado, on September 14, 1996, under the terms of a lease agreement, as amended, transferred the operations, including substantially all net operating assets, to the Health System.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Health System in the preparation of the financial statements are summarized below:

Financial Statement Presentation

The Financial Accounting Standards Board ("FASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for public and private companies and not-for-profit organizations that follow accounting principles generally accepted in the United States of America. The Health System follows FASB accounting and financial reporting standards in the preparation of their financial statements.

Basis of Accounting

The Health System prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when its performance obligations are satisfied, and the recognition of expenses in the period in which they occur.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, revenue, support, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Health System are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Management's Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid assets with maturity dates of three months or less when purchased, excluding amounts reported in assets whose use is limited.

Patient Accounts Receivable and Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Health System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Health System bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Health System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Health System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Health System receiving inpatient acute care services or patients receiving services in the outpatient center. The Health System measures the performance obligation from admission into the Health System, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals) and the Health System does not believe it is required to provide additional goods or services related to that sale. For the years ended December 31, 2025 and 2024, the Health System recognized \$73,918,716 and \$74,065,574, respectively, from services that transfer to the customers over a period of time.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Health System has elected to apply the optional exemption provided in FASB Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care services at the end of the reporting period. The

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Health System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Health System's policy, and implicit price concessions provided to uninsured patients. The Health System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Health System determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are valued at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") method.

Investments and Assets Whose Use Is Limited

Assets limited as to use include annual proceeds from a 0.4% sales and use tax approved by voters of MCHD for facility expansion, assets held by trustee under indenture agreement, and a board-designated fund for future capital improvements and other long-term uses, over which the Board retains control and may at its discretion subsequently use for other purposes.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the balance sheets. Investment income or loss, including unrealized gains and losses on securities, interest, and dividends is included in nonoperating gains of net assets without donor restrictions, unless the income is restricted by donor or law.

Property and Equipment

Property and equipment are recorded at cost, except for donations, which are recorded at the fair market value at the date of the donation. Property and equipment include expenditures for additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor improvements are expensed as incurred.

The property and equipment of the Health System are being depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association's *Estimated Useful Lives of Depreciable Hospital Assets*.

Deferred Revenue

Deferred revenue consists of grant funding received from the state of Colorado for which specific performance obligations have not been met as of December 31, 2025 and 2024, and must be met to keep the funding received.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Statements of Operations and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses and included within the line *income (loss) from operations* in the statements of operations and changes in net assets. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from *income (loss) from operations* include sales use and tax proceeds, contributions and donations, and investment income or loss.

Performance Indicator

The statements of operations and changes in net assets include *excess revenues (expenses)*. Consistent with industry practice, changes in net assets which are excluded from *excess revenues (expenses)* include, if any, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations when incurred. Advertising and marketing costs charged to operations were \$49,552 and \$46,783 for the years ended December 31, 2025 and 2024, respectively.

Claims Reserves

The Health System provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan (Note 13). The gross liability, prior to insurance coverage, is reflected on the balance sheets within accrued personnel costs. The reserve is estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Debt Issuance Costs

Debt issuance costs are amortized over the period of the related obligation is outstanding using the effective interest method. Debt issuance costs are included within the long-term debt on the balance sheets. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give, if any, are reported at fair value at the date the gift is received. The gifts are reported as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Income Taxes

The Health System is a not-for-profit corporation 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 Code. As such, the Health System is generally exempt from income taxes. However, the Health System is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Health System and recognize a tax liability if the Health System has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Health System, and has concluded that as of December 31, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Health System is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Sales and Use Taxes

MCHD levies a 0.4% sales and use tax, with the proceeds designated for the Health System. The Health System recognizes the revenue as the taxes are collected by MCHD and records a receivable for the amounts owed that have not been received from MCHD.

Risk Management

The Health System 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 and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Reclassifications

Certain 2024 amounts have been reclassified to provide for consistency with reporting of 2025 information. These reclassifications have no effect on the previously reported total change in net assets or net assets.

Subsequent Events

The Health System has evaluated events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is April 22, 2026.

3. LEASE OF HOSPITAL FACILITIES

The Health System leases the property and equipment of Southwest Memorial Hospital from MCHD under a lease, as amended on November 17, 2016. The lease provides that the property and equipment of the hospital facility be leased to the Health System and will expire on September 30, 2051 (Note 8). In the event of expiration, termination, or default of the lease, substantially all of the assets under the lease will revert to MCHD. Under this lease, the Health System is responsible for all costs, expenses, and obligations of every kind and nature relating to the use and occupancy of the leased premises. As consideration for this lease, the Health System is required to pay the principal, premium, interest, and all other obligations required by the Bond Indenture in addition to \$10,000 annually.

In addition, the Health System is required to comply with all covenants imposed on MCHD by the Bond Indenture and is required to meet certain financial covenants, as defined in the lease. In November 2015, voters of the MCHD approved a sales and use tax of 0.4%, from which the annual proceeds are to be used to reimburse the Health System for the costs of the facility expansion project and related financing costs.

4. SHORT-TERM INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Total short-term investments consist of the following at December 31, 2025 and 2024:

	2025	2024
Money market funds	\$ 63,447	\$ 27,509
U.S. treasury notes	9,651,681	9,147,655
Total short-term investments	<u>\$ 9,715,128</u>	<u>\$ 9,175,164</u>

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Assets whose use is limited are reported at market value and cost that approximates market value, and consist of the following at December 31, 2025 and 2024:

	2025	2024
Certificates of deposit	\$ 256,256	\$ 245,575
Money market funds	6,823,950	4,524,178
Mutual funds	925,004	1,059,220
U.S. treasury notes	1,506,840	1,424,192
Sales and use tax receivable	190,559	132,149
Total assets whose use is limited	<u>\$ 9,702,609</u>	<u>\$ 7,385,314</u>

	2025	2024
Board-designated funds	\$ 1,774,554	\$ 1,678,082
Trustee-held under debt agreement	6,812,492	4,515,863
Sales and use tax receivable	190,559	132,149
Deferred compensation fund	925,004	1,059,220
Total assets whose use is limited	<u>\$ 9,702,609</u>	<u>\$ 7,385,314</u>

Investment income is comprised of the following for the years ended December 31, 2025 and 2024:

	2025	2024
Dividends and interest income	\$ 766,966	\$ 646,417
Change in market value of investments	301,772	59,351
Investment fees	1,244	(86,718)
Total investment income (loss), net	<u>\$ 1,069,982</u>	<u>\$ 619,050</u>

Board-Designated Funds

The Health System's Board of Directors designated certain assets to meet the capital asset and other long-term needs of the facility. All income amounts earned by the Board-designated funds are left to accumulate as additions to the funds.

Trustee-Held Under Debt Agreement

The trustee-held funds are restricted for the payments of principal, interest, and construction costs related to certain long-term debt agreements. It also includes a capital improvement fund from which funds can be used for qualifying expenditures under the debt agreement.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Deferred Compensation Funds

The deferred compensation funds represent assets that have accumulated under the deferred compensation plan. The Health System simply maintains the funds for the participants until they are withdrawn according to the specific terms of the deferred compensation agreement. The Health System records a liability equal to the deferred compensation assets.

Fair Value Measurements and Disclosures

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Health System has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2025 and 2024.

- *Certificates of deposit*: Valued at cost which approximates fair value.
- *Money market funds*: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
- *U.S. treasury notes*: Valued using pricing models maximizing the use of observable inputs for similar securities.

SOUTHWEST HEALTH SYSTEM, INC.

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- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Health System are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Health System are deemed to be actively traded.

Assets measured at fair value on a recurring basis as of December 31, 2025 are as follows:

	Level 1	Level 2	Level 3	Total
Investments and assets whose use is limited				
Money market funds	\$ -0-	\$ 6,887,397	\$ -0-	\$ 6,887,397
U.S. treasury notes	-0-	11,158,521	-0-	11,158,521
Mutual funds	925,004	-0-	-0-	925,004
Total assets at fair value	<u>\$ 925,004</u>	<u>\$ 18,045,918</u>	<u>\$ -0-</u>	18,970,922
Certificates of deposit				256,256
Sales and use tax receivable				190,559
Total investments and assets whose use is limited				<u>\$ 19,417,737</u>

Assets measured at fair value on a recurring basis as of December 31, 2024 are as follows:

	Level 1	Level 2	Level 3	Total
Investments and assets whose use is limited				
Money market funds	\$ -0-	\$ 4,551,687	\$ -0-	\$ 4,551,687
U.S. treasury notes	-0-	10,571,847	-0-	10,571,847
Mutual funds	1,059,220	-0-	-0-	1,059,220
Total assets at fair value	<u>\$ 1,059,220</u>	<u>\$ 15,123,534</u>	<u>\$ -0-</u>	16,182,754
Certificates of deposit				245,575
Sales and use tax receivable				132,149
Total investments and assets whose use is limited				<u>\$ 16,560,478</u>

Risks and Uncertainties

The national and world-wide investment market conditions can be volatile. The Health System holds investment in certificates of deposit, money market funds, mutual funds, and exchange-traded funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonable possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements. The Health System's management is currently unable to determine the effect, if any, the decline in the market conditions may ultimately have on the Health System's investment portfolio and ability to fund certain projects.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 1,047,048	\$ 1,047,048
Buildings and improvements	53,851,162	53,727,162
Fixtures and equipment	26,306,567	32,653,415
Vehicles	1,420,749	1,420,749
Construction in progress	<u>457,217</u>	<u>88,549</u>
	83,082,743	88,936,923
Less accumulated depreciation	<u>(55,487,891)</u>	<u>(59,664,327)</u>
Property and equipment, net	<u>\$ 27,594,852</u>	<u>\$ 29,272,596</u>

Impairment of Property and Equipment

The Health System evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimate future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. The Health System did not recognize a loss on impairment of property and equipment for the years ended December 31, 2025 and 2024, respectively.

Conditional Asset Retirement Obligation

FASB ASC Topic 410 ("Topic 410") clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. The Health System has considered Topic 410, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. The Health System believes there is an indeterminate settlement date for the asset retirement obligations, if any, because the range of time over which the Health System may settle the obligations is unknown and cannot be estimated. As a result, as of December 31, 2025 and 2024, the Health System cannot reasonably estimate a liability related to these potential asset retirement activities nor determine conclusively that a liability exists.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

6. OTHER ASSETS

Other assets consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest in net assets of Foundation	\$ 300,451	\$ 196,613
Employee notes receivable	<u>277,285</u>	<u>265,074</u>
Total other assets	577,736	461,687
Other assets, current portion	<u>(141,908)</u>	<u>(111,423)</u>
Other assets, net of current portion	<u>\$ 435,828</u>	<u>\$ 350,264</u>

The Health System records a 100 percent interest in the net assets of Southwest Memorial Hospital Foundation, Inc. (the "Foundation"). The Foundation was established to solicit contributions from the general public for the funding of capital acquisitions by the Health System. Funds are distributed to the Health System as determined by the Foundations' Board of Directors.

Employee notes receivable amounts include balances due from employees as part of a loan program offered to reimburse employees for tuition costs. Under the terms of the program, employees notes are forgiven as long as they remained employed by the Health System during the note term. The notes bear no interest and mature on various dates through May 2029. If the employees meet the period-of-service requirement, the Health System will forgive these notes. If the employees do not meet the period-of-service requirement, the notes will be repaid on a prorata basis.

7. LONG-TERM DEBT

At December 31, 2025 and 2024, the Health System was obligated for long-term debt agreements as follows:

	<u>2025</u>	<u>2024</u>
Privately placed Montezuma County, Colorado Revenue Bonds, Southwest Memorial Hospital Project Series 2016A, due in varying monthly principal and interest payments ranging from \$46,000 to \$300,000, fixed interest rate of 4.72%, due December 2046. Secured by substantially all assets of the Health System.	\$ 24,364,804	\$ 25,136,246

SOUTHWEST HEALTH SYSTEM, INC.

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Various promissory notes under a resolution to borrow with Vectra Bank, with maturity dates ranging from November 2023 to December 2025; fixed interest rates ranging from 4.75% to 7.37%. Monthly payments of principal and interest ranging from \$10,618 to 19,765.

-0- 604,067

Financing agreement with a vendor; fixed interest rate of 4.95%, due July 2027. Monthly payments of principal and interest ranging from \$9,428 to \$10,428. Collateralized by equipment with a net book value of \$260,820 at December 31, 2025.

309,969 407,775

24,674,773 26,148,088

Less current portion

(915,079) (1,477,018)

Less debt issuance costs

(572,881) (613,053)

Total long-term debt, net of current portion

\$ 23,186,813 \$ 24,058,017

Maturities of long-term debt subsequent to December 31, 2025, are as follows:

Year Ending December 31,	Principal
2026	\$ 915,079
2027	1,318,675
2028	1,371,018
2029	1,333,677
2030	1,398,919
Thereafter	<u>18,337,405</u>
Total long-term debt	<u>\$ 24,674,773</u>

Under the terms of the bond agreement, the Health System is required to maintain certain deposits with a trustee. These deposits are included with assets whose use is limited on the balance sheets. The agreement also requires that the Health System maintain various restrictive covenants, including limits on additional indebtedness, submission of audited financial statements, minimum days cash on hand ratio, minimum debt service coverage ratio, and maximum debt to capitalization ratio. The Health System did not meet the financial covenants related to debt service coverage as of December 31, 2018, which was considered an event of default, and also did not meet the financial covenant related to minimum liquidity for four consecutive quarters during 2018. In November 2018, the Health System entered into a forbearance agreement with the lenders and engaged a financial consultant, as required by the covenants, to provide recommendations for operational improvement. The forbearance agreement

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

revised the debt service and minimum liquidity covenants, which increased at intervals through June 30, 2021.

Effective December 31, 2019, the forbearance agreement was amended. As part of the amendment, the Health System was extended a \$3,000,000 lease guidance facility that is to be utilized for capital improvements. In addition, the Health System was extended a \$250,000 commercial line of credit. There was no outstanding balance on the line of credit as December 31, 2025 or 2024.

Effective August 2023, the bond agreement was amended, changing the calculation for the Health System's minimum liquidity ratios, as well as creating a requirement for a new capital improvement fund, which allows for use of funds for qualifying expenditures, as defined within the amended bond agreement. Management believes the Hospital was in compliance with all covenants for the year ended December 31, 2025.

8. LEASES

The Health System recognizes right-of-use ("ROU") assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. ROU assets represent the Health System's right to use an underlying asset for the lease term and lease liabilities represent the Health System's obligation to make lease payments arising from the lease. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Health System leases various property and equipment from MCHD that expires during 2051 (Note 3). The Health System also has various operating leases for residential living space and commercial storage space that expire at various times through 2026, as well as a finance lease for equipment that expired in 2025. The interest rates used in determining the carrying value of lease liabilities are determined using the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing at transition date. Leasing arrangements required fixed payments, and may also include an amount that is probable will be owed under residual value guarantees, if applicable. Lease payments also include payments related to purchase or termination options when the lessee is reasonably certain to exercise the option or is reasonably certain not to exercise the option, respectively. The Health System's lease agreements do not contain any material restrictive covenants, other than those required in connection with the lease agreement with MCHD (Note 3). The leases have remaining terms of 1 to 27 years. Lease and non-lease components within any lease agreements the Health System has are accounted for separately.

The Health System's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. The Health System utilizes its collateralized incremental borrowing rate commensurate to the lease term as the discount rate for its leases unless the Health System can specifically determine the lessor's implicit rate.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Short-term leases (leases with an initial term of 12 months or less, or leases that are cancelable by the lessee and the lessor without significant penalties) are not capitalized, but are expensed on a straight-line basis over the lease term. The Health System's short-term lease costs are related to various medical equipment that is rented on an as-needed basis, and varies month-to-month.

In evaluating contracts to determine if they qualify as a lease, the Health System considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Health System can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. Furthermore, the Health System assesses whether it is reasonably certain to exercise options to extend or terminate a lease considering all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors. These evaluations may require significant judgment.

The components of the Health System's lease costs for the years ended December 31, 2025 and 2024, respectively, is as follows:

	2025	2024
Operating lease costs	\$ 92,236	\$ 126,956
Short-term lease costs	48,070	21,285
Finance lease costs:		
Amortization expense	12,127	20,790
Interest on lease liabilities	402	2,243
	\$ 152,835	\$ 171,274

The cost of equipment held under operating and finance lease obligations at December 31, 2025 and 2024, respectively, is as follows:

	2025	2024
Right-of-use assets under operating leases	\$ 338,575	\$ 462,918
Less: accumulated amortization	(155,873)	(237,393)
Right-of-use operating lease assets, net	\$ 182,702	\$ 225,525
	2025	2024
Right-of-use assets under finance leases	\$ -0-	\$ 41,580
Less: accumulated amortization	-0-	(29,453)
Right-of-use operating lease assets, net	\$ -0-	\$ 12,127

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

At December 31, 2025 and 2024, respectively, the weighted average lease term and weighted-average discount rate on the Health System's operating and finance lease liabilities is as follows:

	2025	2024
Weighted-average remaining lease term		
Operating leases	22.29 years	15.99 years
Finance leases	-	0.5 years
	2025	2024
Weighted-average discount rate		
Operating leases	4.96%	5.26%
Finance leases	-	9.25%

Additional information regarding cash payments under the Health System's operating and finance leases during 2025 and 2024, as well as the inputs used in determining the ROU assets and liabilities at December 31, 2025 and 2024, respectively, as are follows:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating activities	\$ 92,236	\$ 126,956
Operating cash flows arising from finance lease activities	402	2,243
Financing cash flows from finance leases	13,546	20,609

Future payments of operating lease liabilities as of December 31, 2025, are as follows:

Year ended December 31,	
2026	\$ 35,496
2027	11,996
2028	9,996
2029	9,996
2030	9,996
Thereafter	208,250
Total lease payments	285,730
Less: imputed interest	103,028
Present value of minimum lease payments	\$ 182,702

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

9. NET PATIENT SERVICE REVENUE

The Hospital recognized net patient service revenue for the years ended December 31, 2025 and 2024, as follows:

	<u>2025</u>	<u>2024</u>
Gross patient service revenue		
Inpatient revenue	\$ 24,061,016	\$ 21,496,999
Outpatient revenue	<u>148,995,760</u>	<u>135,745,504</u>
Total gross patient service revenue	173,056,776	157,242,503
Deductions from revenue		
Contractual allowances	(101,306,758)	(90,752,919)
Charity care	(2,706,034)	(1,426,152)
Provision for credit losses	(7,480,550)	(5,538,209)
Provider fee program	<u>12,355,282</u>	<u>14,540,351</u>
Total deductions from revenue	<u>(99,138,060)</u>	<u>(83,176,929)</u>
Total net patient service revenue	<u>\$ 73,918,716</u>	<u>\$ 74,065,574</u>

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Laws and regulations concerning government programs, including Medicare and Medicaid, are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Health System believes that it is in compliance with all applicable laws and regulations.

Settlements with third-party payors for retroactive adjustments due to 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 Health System'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 (that is, new information becomes available), or as years are settled or are

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2025 and 2024.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Health System also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Health System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. For the years ended December 31, 2025 and 2024, adjustments were recognized due to changes in the Health System's estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years were not significant. Subsequent changes that are significant and determined to be the result of an adverse change in the patient's ability to pay are recorded as credit loss expense.

Consistent with the Health System's mission, care is provided to patients regardless of their ability to pay. Therefore, the Health System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Health System expects to collect based on its collection history with those patients.

Patients who meet the Health System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The Health System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. The following tables provide details of these factors.

The composition of net patient service revenue by primary payor for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 30,559,689	\$ 25,002,014
Medicaid	21,561,967	24,703,553
Commercial	21,355,735	23,675,555
Self pay patients	<u>441,325</u>	<u>684,452</u>
	<u>\$ 73,918,716</u>	<u>\$ 74,065,574</u>

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor.

The composition of net patient service revenue based on its lines of business and timing of revenue recognition for the years ended December 31, 2025 and 2024, are as follows:

	2025	2024
Service Lines		
Inpatient	\$ 15,552,965	\$ 15,985,953
Outpatient	40,891,299	36,888,058
Clinical services	11,597,822	15,626,989
Ambulance	5,876,630	5,564,574
	\$ 73,918,716	\$ 74,065,574

The Health System grants credit without collateral to its patients, most of who are local residents and insured under third-party payor agreements. The mix and concentration of gross patient service revenue and patient accounts receivable at December 31, 2025 and 2024 is as follows:

	2025		2024	
	Revenues	Receivables	Revenues	Receivables
Medicare	48 %	32 %	45 %	27 %
Medicaid	25	8	25	8
Commercial, managed care, and other	23	25	27	25
Self pay	4	35	3	40
	100 %	100 %	100 %	100 %

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

- **Medicare.** The Health System is a provider of services to patients entitled to coverage under Title XVIII ("Medicare") of the Health Insurance Act. The Health System is designated as a Critical Access Hospital ("CAH") by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Health System is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Health System's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. Clinical services are paid on a cost basis or fixed fee schedule.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

- **Medicaid.** The Health System is a provider of services to patients entitled to coverage under Title XIX ("Medicaid") of the Health Insurance Act. After November 1, 2016, the Health System is reimbursed for Medicaid inpatient and outpatient services under prospectively determined rates-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as deductions from revenue. Outpatient services prior to November 1, 2016 related to Medicaid beneficiaries are paid at interim rates based on the Medicaid cost-to-charge ratio. Retrospective settlements based on audited cost-to-charge ratios are made periodically.

The Health System participates in the State of Colorado provider fee program, approved by the Centers for Medicare and Medicaid Services ("CMS"), under which all hospitals in the state are assessed a fee based on bed size and payor mix. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Health System recorded \$2,977,469 and \$2,774,314 in provider fees for the years ended December 31, 2025 and 2024, respectively, which are recorded as a part of operating expenses. The Health System recorded \$12,355,282 and \$14,540,351 of supplemental payments for the years ended December 31, 2025 and 2024, respectively, which are recorded as part of net patient service revenue.

- **Other.** The Health System has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Health System under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and fee schedule payments.
- **Charity Care and Uninsured Discounts.** The Health System provides care without charge or at less than its established rates to patients who meet certain criteria under its charity care policy. Because the Health System does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associating with providing care to charity patients. The ratio of cost to charges is calculated based on the Health System's total operating expenses divided by gross patient service revenue. For the years ended December 31, 2025 and 2024, the Health System incurred estimated charity costs of \$1,171,179 and \$657,784, respectively.

The Centers for Medicare and Medicaid Services ("CMS") has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation, CMS may suspend payment at any time without providing prior notice to the Health System. The initial suspension period is limited to 180 days. However, the payment suspension period can be extended indefinitely if the matter is under investigation by the United States Department of Health and Human Services Office of Inspector General or the United States Department of Justice. Therefore, the Health System is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

payment suspension. Any such suspension would adversely impact the Health System's financial position, results of operations, and cash flows.

10. DEFINED CONTRIBUTION RETIREMENT PLANS

The Health System offers its employees a 403(b) tax deferred annuity plan. Employees are eligible to receive employer contributions on January 1 or July 1 following the date that the employee has completed one year of service and reached the age of 21. Participating employees may authorize the Health System to deduct a portion of their pay to contribute to the plan. Employee contributions are matched by the Health System up to 2% of the qualified employee salaries. For the years ended December 31, 2025 and 2024, the amount of retirement expense was \$492,531 and \$517,976, respectively.

The Health System also offers a 457 deferred compensation plan to employees meeting certain criteria. Eligible employees may elect to defer a percentage of their compensation into the plan. As the assets of the plan are still considered to be those of the Health System under IRS regulations, the balance in these accounts is included in assets whose use is limited on the balance sheets and a corresponding liability has been recorded in deferred compensation liabilities on the balance sheets.

11. FUNCTIONAL EXPENSES

The Health System provides general healthcare services to residents within its geographic area. Expenses related to providing these services are broken down as follows for the years ended December 31, 2025 and 2024:

	2025		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 35,179,842	\$ 2,652,688	\$ 37,832,530
Employee benefits and payroll taxes	6,495,471	489,405	6,984,876
Professional fees	1,564,566	-0-	1,564,566
Purchased services	6,148,199	458,111	6,606,310
Drugs and medical supplies	14,581,707	-0-	14,581,707
Other supplies	845,442	63,635	909,077
Depreciation	2,857,235	215,061	3,072,296
Repairs and maintenance	1,492,356	62,488	1,554,844
Utilities	784,834	107,855	892,689
Insurance	830,389	88,074	918,463
Rent	137,885	2,421	140,306
Interest	1,240,549	17,652	1,258,201
Provider tax	2,977,469	-0-	2,977,469
Other operating expenses	686,538	266,986	953,524
Total operating expenses	<u>\$ 75,822,482</u>	<u>\$ 4,424,376</u>	<u>\$ 80,246,858</u>

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

	2024		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 35,720,297	\$ 2,710,437	\$ 38,430,734
Employee benefits and payroll taxes	6,289,387	597,813	6,887,200
Professional fees	1,724,324	-0-	1,724,324
Purchased services	5,026,735	489,592	5,516,327
Drugs and medical supplies	13,106,670	-0-	13,106,670
Other supplies	903,242	69,331	972,573
Depreciation	3,184,979	239,730	3,424,709
Repairs and maintenance	1,561,539	117,548	1,679,087
Utilities	918,841	76,692	995,533
Insurance	930,997	73,773	1,004,770
Rent	139,092	9,149	148,241
Interest	1,284,180	96,612	1,380,792
Provider tax	2,774,314	-0-	2,774,314
Other operating expenses	858,558	327,532	1,186,090
Total operating expenses	\$ 74,423,155	\$ 4,808,209	\$ 79,231,364

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Health System. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits and payroll taxes, purchased services, other supplies, depreciation, repairs and maintenance, utilities, insurance, rent, interest, and other operating expenses, which are allocated based on square footage.

12. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2025	2024
Cash and cash equivalents	\$ 5,451,765	\$ 5,935,501
Short-term investments	9,715,128	9,175,164
Patient accounts receivable, net	6,388,444	7,183,390
Other receivables	965,720	512,520
	\$ 22,521,057	\$ 22,806,575

As part of a liquidity management plan, cash in excess of daily requirements is invested in marketable securities which may be drawn upon, if necessary, to meet unexpected liquidity needs.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

13. CONTINGENCIES AND COMMITMENTS

Professional Liability

The Health System carries professional liability coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. There is additional umbrella coverage above these limits up to \$6,000,000 under a commercial insurance policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured. The Health System has accrued professional liability reserves of \$300,000 as of both December 31, 2025 and 2024, respectively, and these amounts are included in accrued expenses on the balance sheets.

Property and Equipment Commitments

<u>Project</u>	<u>Expected Date of Completion</u>	<u>Estimated Total Cost of Project</u>	<u>Costs Incurred as of December 31, 2025</u>
Air handler	January 2026	\$ 397,000	\$ 384,654
Air compressor	March 2026	52,000	50,000
Other projects	December 2026	42,000	22,563
Total		<u>\$ 491,000</u>	<u>\$ 457,217</u>

Employee Health Self-Insured Plan

The Health System is partially self-insured for health insurance. The claims under the plan continue to be accrued as the incidents that give rise to them occur. Unpaid claim accruals are based on the estimated ultimate costs of the claims, including claims administration expenses, in accordance with the Health System's past experience. The Health System has entered into reinsurance agreements with insurance companies to limit its losses on claims for health insurance. Reserves for self-insured plans were \$781,723 and \$700,000 as of December 31, 2025 and 2024, respectively, and are included in accrued personnel costs on the balance sheets.

Litigation, Claims, and Disputes

The Health System is susceptible to a variety of legal proceedings and claims by others against the Health System in a variety of matters arising out of the conduct of the Health System's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2025 AND 2024

HIPAA

Management continues to implement policies, procedures, and a compliance–monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and other government statutes and regulations. The Health System’s compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

One Big Beautiful Bill Act

One July 3, 2025, the United States 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. The OBBBA had no impact on the results of operations and financial condition as of and for the year ended December 31, 2025. The Health System is currently evaluating what impact the OBBBA may have on the financial results, cash flows, and financial position for future periods.

14. CONCENTRATIONS OF CREDIT RISK

The Health System’s cash balances are maintained in various bank deposit accounts. At various times during the year, the balance of these deposits may be in excess of federally insured limits. To date, the Health System has not experienced losses in any of these accounts. The Health System believes it is not exposed to any significant credit risk on cash.

15. RELATED PARTY TRANSACTIONS

The Health System has a management agreement with Community Hospital Consulting, Inc. (“CHC”) to provide management services. The term of the agreement was signed effective July 1, 2018 with a term of five years. Effective July 1, 2021, the agreement was amended to extend the term through June 30, 2026. Management fees and reimbursement for salaries and benefits of key executives of the Health System totaled \$1,389,349 and \$1,387,809 for the years ended December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, respectively, the Health System recognized a liability included in accounts payable on the balance sheets of approximately \$99,000 and \$139,000 to CHC.

CEO Report

Board Meeting Date: April 29, 2026

Committee or Staff Completing Report: Joe Theine

Date of Committee Meeting (if applicable): n/a



<p>Wins – one to two highlights of what has gone well.</p> <ul style="list-style-type: none"> • Southwest Health System, Inc. (SHS) unified our patient medical records into one system, Oracle (f.k.a. Cerner) in mid-April. Operating under a unified record will allow for more coordinated care and overall, a better patient and provider experience. This results in more than unifying records, it enables changes in our how we care for patients. • Our expanded inpatient hospitalist services – having a physician in-house 24/7 caring for newborns through older adults has enabled admitted patients that previously may have been transferred. It is early to begin objectively measuring any changes in access to urgent/emergency inpatient services, however, by anecdote we are anticipating this positive change to be visible in the months ahead.
<p>Opportunities – one to two highlights of current upcoming opportunities or challenges.</p> <ul style="list-style-type: none"> • Despite a return to patients access care at SHS, a shift to an unfavorable payer mix and persistent high contract labor costs resulted in an unfavorable operating margin. This is the third consecutive month in 2026 with this outcome and remains an unsustainable financial path.
<p>Report</p> <p>Physician APP Recruiting</p> <ul style="list-style-type: none"> • OB/GYN: 25 total candidates, 4 active. • Family Medicine OB: 24 total candidates, 5 active. • General Surgery: 35 total candidates, 1 active. • Advanced Practice Provider for general surgery / wound care search continues. • Actively recruiting for advanced practice provider (APP) Emergency Department. • Extending offer to part-time pediatrician. Her spouse has relocated to the region. <p>Operations Updates</p> <ul style="list-style-type: none"> • Executive Assistant Hired, Tiffany Aspromonte. • Trailhead leadership developments months four. Employee lifecycle (onboarding through separation topics). • Congressman Hurd prioritized SHS’s request for Congressionally Directed Spending <p>Community Engagement</p> <ul style="list-style-type: none"> • Volunteered at Montezuma County Health Fair • Project Run Fundamental of Leadership & Management Strategy <p>Staff Meetings & Internal Engagement</p> <ul style="list-style-type: none"> • Doctor’s Day Overhead Announcement and SHS Insights • Provider Social Gathering <p>Other Meetings / Engagement</p> <ul style="list-style-type: none"> • Colorado Rural Health Transformation Program Advisory Committee Meetings continue. • Attorney General, Phil Weiser individual dinner with Karen Zink, NP. • Representative Katie Stewart • Washington DC Visits: Senator Michel Bennet, Senator John Hickenlooper, Congresswoman Brittany Petterson • Colorado Rural Health Center Annual Meeting <p>Other Notable Items</p> <ul style="list-style-type: none"> • None
<p>Attachments (if any)</p> <p>None</p>

MCHD Finance Report



Mission Statement

It is the mission of the Montezuma County Hospital District to assure high quality healthcare facilities for the community, Montezuma County, and the surrounding areas and to provide support and assistance in a manner which is consistent with a high standard of healthcare.

April 2026
Colorado Sales Tax

\$151,272.86

Apr 10, 2026	
So	State of CO VENDOR PAY COUNTY HOSPITAL HEALTH SERVICES District Use Tax Disbursement
	\$13,612.72 \$571,124.67 >
So	State of CO VENDOR PAY COUNTY HOSPITAL HEALTH SERVICES District Sales Tax Disbursement
	\$1,324.64 \$557,511.95 >
Apr 08, 2026	
CD	CO DOR SALES TAX DISTRIB COUNT
	\$136,335.50 \$556,187.31 >

Property Tax

Montezuma Tax Distribution Statement For
MONTEZUMA COUNTY HOSPITAL DISTRICT 18
For The Distribution Period Ending Thu Apr 30 23:59:59 MDT 2026

MONTEZUMA COUNTY HOSPITAL
DISTRICT
P O BOX 1034
CORTEZ, CO 81321

CURRENT TAXES	\$300,171.79
SENIOR/VETERAN EXEMPTION	\$8,592.29
DELINQUENT TAXES	\$91.12
SPECIFIC OWNERSHIP	\$4,288.93
CURRENT INTEREST	\$2.53
DELINQUENT INTEREST	\$7.63
TREASURER'S FEES	(\$6,177.24)
DOW IMPACT ASSISTANCE	\$0.00
FOREST RESERVE	\$0.00
PERSONAL PROPERTY EXEMPTION	\$703.57
SB22-238 REIMBURSEMENT	\$0.00
SB23B-001 REIMBURSEMENT	\$0.00

Total \$307,680.62



Transaction List

Mar 01, 2026 to Mar 31, 2026

Interest Checking *****7189

Balance as of 05/13/2026 \$1,449,639.41

Date	Account	Account Number	Account Type	Description	Check #	Memo	Credit	Debit
03/31/2026	Interest Checking	*****7189	Public Funds Interest Checking	INTEREST PAYMENT			\$2,102.31	
03/27/2026	Interest Checking	*****7189	Public Funds Interest Checking	Southwest Health Payable REF # 026085007280422 Southwest Health1841337350Payable CCD1895 MONTEZUMA COUNTY HOSPIREF # 26085007280422 7280422 (Southwest Health Payable MONTEZUMA COUNTY HOSPI)			\$4,630.00	
03/25/2026	Interest Checking	*****7189	Public Funds Interest Checking	Plooto Inc Plooto Inc REF # 026083004904723 Plooto Inc 942875288NPlooto IncCCD Montezuma County HospiREF # 26083004904723 4904723 (Plooto Inc NPlooto IncCCD Montezuma County Hospi)				-\$2,577.47
03/24/2026	Interest Checking	*****7189	Public Funds Interest Checking	DEPOSIT			\$139.35	
03/06/2026	Interest Checking	*****7189	Public Funds Interest Checking	Check No: 000000003036	3036			-\$1,481.50
03/06/2026	Interest Checking	*****7189	Public Funds Interest Checking	Plooto Billing Plooto Bil REF # 026064007752685 Plooto Billing 2000066139Plooto BilCCD Montezuma County HospiREF # 26064007752685 7752685 (Plooto Billing Bil BilCCD Montezuma County Hospi)				-\$260.98
03/05/2026	Interest Checking	*****7189	Public Funds Interest Checking	DEPOSIT			\$74,166.41	
03/02/2026	Interest Checking	*****7189	Public Funds Interest Checking	Check No: 000000003037	3037			-\$890.00

Totals: 8 items \$81,038.07 -\$5,209.95

State Sales Tax Pass Through Checking *****0897

Balance as of 05/13/2026 \$630,701.23

Date	Account	Account Number	Account Type	Description	Check #	Memo	Credit	Debit
03/31/2026	State Sales Tax Pass Through Checking	*****0897	Public Funds Interest Checking	INTEREST PAYMENT			\$1,174.19	
03/31/2026	State Sales Tax Pass Through Checking	*****0897	Public Funds Interest Checking	Check No: 000000001115	1115			-\$215,009.70
03/11/2026	State Sales Tax Pass Through Checking	*****0897	Public Funds Interest Checking	State of CO VENDOR PAY REF # 026068010645678 State of CO 8406447392VENDOR PAYCCD202603063177961MONTEZUMA COUNTY HOSPIREF # 26068010645678NTE*12021148576823 *Health Services District SalesTax Disbursemen 645678 (State of CO VENDOR PAY COUNTY HOSPI NTE Health Services District SalesTax Disbursemen)			\$1,832.53	
03/11/2026	State Sales Tax Pass Through Checking	*****0897	Public Funds Interest Checking	State of CO VENDOR PAY REF # 026068010645676 State of CO 8406447392VENDOR PAYCCD202603063177960MONTEZUMA COUNTY HOSPIREF # 26068010645676NTE*12021148576824 *Health Services District Use Tax Disbursement 645676 (State of CO VENDOR PAY COUNTY HOSPI NTE Health Services District Use Tax Disbursement)			\$13,534.51	
03/09/2026	State Sales Tax Pass Through Checking	*****0897	Public Funds Interest Checking	CO DOR SALES TAX DISTRIB REF # 026068009323416 CO DOR SALES TAX5846000537DISTRIB CCD09801264004RLAS2114824MONTEZUMA COUNTREF # 26068009323416 9323416 (CO DOR SALES TAX DISTRIB COUNT)			\$114,113.45	
03/02/2026	State Sales Tax Pass Through Checking	*****0897	Public Funds Interest Checking	Check No: 000000001114	1114			-\$167,039.73

Totals: 6 items \$130,654.68 -\$382,049.43

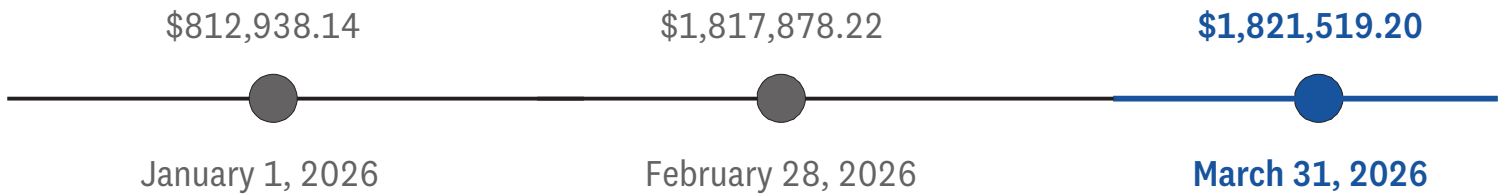
MONTEZUMA COUNTY HOSPITAL DIST
A CORPORATION
PO BOX 1034
CORTEZ CO 81321

Your Financial Planner :
DANIEL MOZER
7222 E LAYTON AVENUE
DENVER, CO 80237
daniel.mozer@lpl.com
(720) 947-8540



INVESTMENT OBJECTIVE

Income with Capital Preservation



Account Summary

Investment Account (5136-4393)	Current Month 03/01 - 03/31	Quarter to Date 01/01 - 03/31	Year to Date 01/01 - 03/31
Starting Value	\$1,817,878.22	\$812,938.14	\$812,938.14
Inflows	\$0.00	\$1,000,000.00	\$1,000,000.00
Outflows	\$0.00	\$0.00	\$0.00
Change in Market Value	\$3,640.98	\$8,581.06	\$8,581.06
Total Ending Value	\$1,821,519.20	\$1,821,519.20	\$1,821,519.20

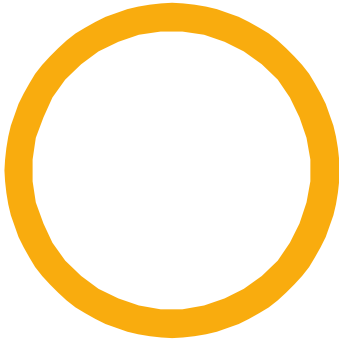
Account Statement Q1 2026

January 01, 2026-March 31, 2026

Account Ending in (4393)

Asset Allocation

Asset Allocation data reflects the breakdown of assets in your accounts, including the assets held within any mutual funds and ETFs. The amounts may differ from asset values shown elsewhere in the statement.



Asset Type	Asset Value	%
Cash*	\$1,821,519.20	100.00%
Total	\$1,821,519.20	100.00%

*\$257.15 held as liquid cash and equivalents; any remainder is embedded in investment products such as mutual funds and ETFs.

EXPLORE MORE



Explore a new interactive version of this summary, access documents, and take action on important Shareholder voting rights.

Account Holdings

Cash and Cash Equivalents

Description	Interest/Dividend Paid 03/01 - 03/31	Interest/Dividend Rate ²	Current Balance
INSURED CASH ACCOUNT ³			
Citibank NA			\$90.29
Bank of Baroda			\$54.52
The Huntington National Bank			\$54.52
The Bank of East Asia Ltd			\$36.34
Truist Bank			\$18.16
Bank of India			\$3.32
TOTAL INSURED CASH ACCOUNT	\$0.17	0.90%	\$257.15
Total Cash and Cash Equivalents			\$257.15

² Bank Deposit Sweep interest is the current rate. Money Market Sweep dividend is a 30-day yield.

³ Bank Deposit Sweep Accounts are FDIC insured, are not obligations of LPL Financial or SIPC, and are not available for margin purposes. See message section for further information.

Account Statement Q1 2026

January 01, 2026-March 31, 2026

Account Ending in (4393)

Page 3 of 10

Account Holdings continued

Mutual Funds, Publicly Traded Funds and Interval Funds

Visit our digital client experience to see lot level details, average cost per share, current market values and more.

Security ID / Description	Quantity Price	Market Value	Est Annual Income ^a Est 30-Day Yield ^a
FISXX FIDELITY INVT MONEY MARKET TREASURY CL I _R	1,002,564.550 \$1.0000	\$1,002,564.55	\$32,884.00 3.28%
OGSXX JPMORGAN U S GOVT MONEY MARKET PREMIER CL _R	818,697.500 \$1.0000	\$818,697.50	\$24,970.00 3.05%
Total		\$1,821,262.05	\$57,854.00

^R Dividends and/or capital gains distributed by this security will be reinvested.

Total Account Holdings

	Market Value	Est Annual Income
	\$1,821,519.20	\$57,854.00

^a Refer to the statement message titled ESTIMATED ANNUAL INCOME (EAI) AND ESTIMATED YIELD (EY) for information on how this figure is calculated.

Capital Infrastructure Committee



Mission Statement

It is the mission of the Montezuma County Hospital District to assure high quality healthcare facilities for the community, Montezuma County, and the surrounding areas and to provide support and assistance in a manner which is consistent with a high standard of healthcare.

SHS / MCHD CAPITAL INFRASTRUCTURE COMMITTEE

May 13, 2026

Main Hospital Campus; Admin Conference Room

Attendees:

X	Brandon Johnson, MCHD Board President	X	Joe Theine, SHS CEO	X	Robert Shumsky, Tuck Business
X	Sean Flaherty MCHD Board	X	Adam Conley SHS CFO	X	Cameron Slavkin, Chartis Consulting
X	Eric Croke, SHS Board	X	Ethan Schwartz Materials Management Dir	X	Kyle Maness, Collective Energy
X	Rob Owens, SHS Plant Ops Director	X	Bridgett Jabour, Grants		
X	Joel Rouse, Plant Ops Asst.	X	Tiffany Aspromonte, Executive Asst.		

Agenda Item/Topic	Findings and Discussions	Conclusions, Recommendations, Actions, and/or Motions	Follow-up Responsible Party
Call to order	Rob Owens called the meeting to order at 9:00am.		
Minutes for Approval	April meeting minutes approved		Committee
Collective Energy	<ul style="list-style-type: none"> Collective Energy Presentation 	<p>Kyle Maness and Kevin Schneider from Collective Energy were on campus for a site visit on Tuesday, May 12th. Kyle attended the May 13th Capital Infrastructure meeting and presented findings based on the site assessment. Topics covered included proposed equipment location options and related infrastructure requirements, options for pro-active energy storage expansion, and expected timeline and milestones once the project is approved and in motion.</p>	Committee
Old Business	<ul style="list-style-type: none"> Kitchen compressor project update. Facility bulb replacement project update. 	<p>The units for the 2 kitchen refrigerators are installed and in service. Installation of the freezer units is still on hold awaiting on a reefer unit from Meadow Gold for temporary storage of frozen goods while compressors are installed. (2-3 days for each unit).</p> <p>Existing hardpan ceiling light bulbs to be replaced with new LED bulbs by Plant Operations staff. Purchase of bulbs from Grainger was approved. Emergency battery backup ballasts will be purchased and installed by a certified electrician. Bid from Anytime Electric to purchase items from Summit Electric and installation costs was approved. Anytime electric will be replacing the emergency battery backup ballasts and bulbs in</p>	<p>Rob/Karen</p> <p>Rob</p>

Capital Infrastructure Committee

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Agenda Item/Topic	Findings and Discussions	Conclusions, Recommendations, Actions, and/or Motions	Follow-up Responsible Party
	<ul style="list-style-type: none"> <li data-bbox="349 317 706 348">• Emergency Fuel Oil upgrade <li data-bbox="349 653 846 716">• Boiler re-tube, building modification, and retaining wall project. <li data-bbox="349 1052 699 1083">• 1st Floor Sewer Line Project <li data-bbox="349 1325 618 1356">• The CIC projects list 	<p data-bbox="906 163 1252 226">the OR on Friday, May 15th and Friday, May 22nd.</p> <p data-bbox="906 317 1317 411">The Trautner geotechnical site survey is complete. Next steps dependent on retaining wall/boiler re-tube project.</p> <p data-bbox="906 653 1317 978">The Trautner geotechnical site survey is complete. The contract with Jones & DeMille Engineering for a topographical survey and Boiler room wall modification was approved and associated work is in progress. There was a discussion about splitting the project into 2 phases. Waiting on final engineering report before submitting to contractors for bids.</p> <p data-bbox="906 1073 1317 1283">Re-lining the sewer lines running throughout the 1st floor of the hospital presents the most economical option to upgrade the system. Re-lining will be less invasive. Alphalete Plumbing cancelled a planned May 10-12th site visit and will re-schedule.</p> <p data-bbox="906 1346 1268 1409">The projects list was updated and distributed to committee members.</p>	<p data-bbox="1349 380 1398 411">Rob</p> <p data-bbox="1349 674 1495 705">Rob/Brandon</p> <p data-bbox="1349 1073 1398 1104">Rob</p> <p data-bbox="1349 1314 1463 1346">Rob/Adam</p>
Action Items (if any)			
Adjournment		It was moved to adjourn the meeting at 9:58 AM.	

Respectfully submitted:

Joel Rouse

Joel Rouse, Recorder

Capital Infrastructure Committee

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Facility Item	1 Year	5 Years	10 Years	
South Campus Aire Handler Replacement Project				Complete
Humidifier Steam Generator Replacement on RTU 4		X		
Medical Gas Manifold Replacement & Condensate Return Unit Replacement		X		
Penthouse Heat Exchanger Upgrades				Complete
Emergency Fuel Oil System Replacement	X			
Boiler 2 Refurbishment & Steam Header Upgrades		X		
Implement Chilled Water Variable Flow System		X		
Condensate Return Unit Replacement & Steam Traps (1976)			X	
Condensate Return Unit Replacement & Steam Traps (1970)		X		
MOB RTU 1		X		
MOB RTU 2 (IT Rooms)		X		
Replace Fluorescent Lighting and Occupancy Sensors				Complete
2nd Floor Electrical Infrastructure (Assess & Upgrade as Needed)			X	
Video Security Systems (Assess, Upgrade, Integrate)	X			
2nd Floor Sewer Infrastructure (Assess & Upgrade as Needed)			X	
1st Floor Sewer Upgrade (Assess & Upgrade as Needed)		X		
South Campus Electrical Upgrade			X	
Repair the Stucco on the MOB			X	
Replace RTU 2 (Medical Imaging)			X	
Upgrade Duct Work in Medical Imaging		X		
Remodel Medical Imaging for Treadmill Use				Complete
Move Bone Density Scanner Back to the Medical Imaging Wing (Remodel old file area)		X		
Remodel 2nd Floor Plenum Ceiling			X	
New ED (Plans Already Created)			X	
Upgrade Kitchen Compressors	X			50% Complete (freezers pending)
Upgrade Kitchen Floor		X		
Remove the Old Shop Building			X	
Repair the Grease Trap on the Loading Dock			X	
Replace Water Lines on 1st & 2nd Floors of Hospital			X	
Medical Imaging Remodel			X	New
Boiler Romm Access/Fuel Oil Location Improvements	X			New
Campus landscaping Upgrades		X		New
Mancos Clinic Floor Replacement			X	New