



EL CENTRO REGIONAL MEDICAL CENTER  
BOARD OF TRUSTEES – REGULAR MEETING

MONDAY, June 29, 2026  
5:30 PM

MOB CONFERENCE ROOM 1&2  
1271 ROSS AVENUE, EL CENTRO, CA  
&

**TELECONFERENCE LOCATION** *NOTE: Pursuant to Government Code Section 54953(b) Trustee Patty Maysent- CEO, UCSD Health will be attending the Regular Meeting via teleconference from:*

JACOBS MEDICAL CENTER, Suite 1-620  
9300 CAMPUS POINT DR.  
SAN DIEGO, CA 92037

**ACTING-PRESIDENT:** Sylvia Marroquin

**MEMBERS:** Sonia Carter; Claudia Camarena; Marty Ellett; Michael Crankshaw; Patty Maysent-CEO, UCSD Health; Christian Tomaszewski-M.D.-CMO, UCSD; Pablo Velez-CEO ECRMC

**CLERK:** Belen Gonzalez

**ATTORNEY:** Douglas Habig, ECRMC Attorney

*This is a public meeting. If you are attending in person, and there is an item on the agenda on which you wish to be heard, please come forward to the microphone. Address yourself to the president. You may be asked to complete a speaker slip; while persons wishing to address the Board are not required to identify themselves (Gov't. Code § 54953.3), this information assists the Board by ensuring that all persons wishing to address the Board are recognized and it assists the Board Executive Secretary in preparing the Board meeting minutes. The president reserves the right to place a time limit on each person asking to be heard. If you wish to address the board concerning any other matter within the board's jurisdiction, you may do so during the public comment portion of the agenda.*

BOARD MEMBERS, STAFF AND THE PUBLIC MAY ATTEND VIA ZOOM.

To participate and make a public comment in person, via Zoom or telephone, please raise your hand, speak up and introduce yourself.

**Join Zoom Meeting:** <https://ecrmc.zoom.us/j/82746060274?pwd=do33BEF9AGvJ3w2oOPU79Orxb3PrkI.1>

**Optional dial-in number:** (669) 444-9171

**Meeting ID:** 827 4606 0274 **Passcode** 380449

Public comments via zoom are subject to the same time limits as those in person.

### OPEN SESSION AGENDA

#### ROLL CALL:

#### PLEDGE OF ALLEGIANCE:

**PUBLIC COMMENTS:** Any member of the public wishing to address the Board concerning matters within its jurisdiction may do so at this time. Three minutes is allowed per speaker with a cumulative total of 15 minutes per group, which time may be extended by the President. Additional information regarding the format for public comments may be provided at the meeting.

#### BOARD MEMBER COMMENTS

#### CONSENT AGENDA *(Item 1-2)*

All items appearing here will be acted upon for approval by one motion, without discussion. Should any Board member or other person request that any item be considered separately, that item will be taken up at a time as determined by the President.

1. Review and Approval of Board of Trustees Minutes of Regular Meeting of April 27, 2026—**Action**

2. Review and Approval of Board of Trustees Minutes of Special Meeting of May 14, 2026—**Action**

**CHIEF EXECUTIVE OFFICER UPDATE**

3. Verbal Report from the CEO to the Board of Trustees—**Informational**
4. Manager Update—Patty Maysent—**Informational**

**NEW BUSINESS**

5. Discussion and Consideration of Recording and Broadcasting upcoming ECRMC Board of Trustees Meetings—**Action**

**FINANCE and OPERATIONAL UPDATE**

6. Review and Approval of the Financial Statements for Month and Year-to-Date as of April 2026—**Action**
7. Review and Approval of the Financial Statements for Month and Year-to-Date as of May 2026—**Action**
8. Review and Approval of the 2027 Annual Fiscal Budget—**Action**
9. Review and Approval of the 2025 Annual Financial Audit—**Action**
10. Review and Approval of the 2026 Annual Financial Audit Engagement Letter (Wipfli)—**Action**

**RECESS TO CLOSED SESSION – BOARD PRESIDENT**

- A. HEARING/DELIBERATIONS RE MEDICAL QUALITY COMMITTEE REPORTS/STAFF PRIVILEGES.** The Hospital Board will recess to closed session pursuant to Government Code Section 37624.3 for a hearing and/or deliberations concerning reports of the \_\_\_ hospital medical audit committee, or X quality assurance committees, or X staff privileges.
- B. TRADE SECRETS.** The Hospital Board will recess to closed session pursuant to Govt. Code Section 37606(b) for the purpose of discussion and/or deliberation of reports involving hospital trade secret(s) as defined in subdivision (d) of Section 3426.1 of the Civil Code and which is necessary, and would, if prematurely disclosed create a substantial probability of depriving the hospital of a substantial economic benefit:

<u>Discussion of:</u>	<u>Number of Items:</u>
<u>X</u> hospital service;	<u>1</u>
<u>X</u> program;	<u>1</u>
<u>X</u> hospital facility	<u>1</u>

**RECONVENE TO OPEN SESSION – BOARD PRESIDENT**

**ANNOUNCEMENT OF CLOSED SESSION ACTIONS, IF ANY – GENERAL COUNSEL**

11. Approval of Report of Medical Executive Committee’s Credentials Recommendations Report for Appointments, Reappointments, Resignations and Other Credentialing/Privileging Actions of Medical Staff and/or AHP Staff (*Approved in Closed Session*)

**ADJOURNMENT:** Adjourn. (Time: ) Subject to additions, deletions, or changes.  
ECR



**El Centro Regional Medical Center**  
**BOARD OF TRUSTEES – REGULAR MINUTES**  
**OPEN SESSION MINUTES**  
 MOB CONFERENCE ROOMS 1 & 2  
 1271 Ross Avenue, El Centro, CA 92243

Zoom Meeting link: <https://ecrmc.zoom.us/j/89378663824?pwd=Xurp4z2rYfeVMCwKLQpgtkpBDIPE0y.1>

**Monday, April 27, 2026**

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
<b>ROLL CALL</b>	<p><b>PRESENT:</b> Marroquin; Camarena; Ellett; Tomaszewski; Chief Executive Officer Pablo Velez; and Executive Board Secretary Belen Gonzalez</p> <p><b>ABSENT:</b> Maysent; Carter; Crankshaw</p> <p><b>VIA Zoom:</b> UCSD Tammy Morita; UCSD Veronica Marsich</p> <p><b>Hospital Administrative Staff:</b> Chief of Staff Andrew Lafree, MD; David Momberg-CFO; Luis Castro-CHRO; Seung Gwon, MD-CMO</p>	
<b>CALL TO ORDER</b>		The Board of Trustees convened in open session at 5:34 p.m. Acting Board President Marroquin called the meeting to order.
<b>OPENING CEREMONY</b>	The Pledge of Allegiance was recited in unison.	None
<b>NOTICE OF MEETING</b>	Notice of meeting was posted and mailed consistent with legal requirements.	None
<b>PUBLIC COMMENTS</b>	None	None

Regular Meeting  
April 27, 2026 5:30 p.m.

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
<b>BOARD MEMBER COMMENTS</b>	None	None
<b>CONSENT AGENDA</b> <i>(Item 1)</i> <b>Item 1. Review and Approval of Board of Trustees Minutes of Regular Meeting March 23, 2026</b>	All items appearing here were acted upon for approval by one motion (or as to information reports, acknowledged receipt by the Board and directed to be appropriately filed) without discussion.	MOTION: by Camarena, second by Ellett and carried to approve the Consent Agenda.  All present in favor; none opposed.
<b>CHIEF EXECUTIVE OFFICER UPDATE</b> <b>Item 2. Verbal Report from the CEO to the Board of Trustees—Informational</b>	Item to be discussed in Closed Session	Informational
<b>Item 3. Manager Update—Patty Maysent—Informational</b>	Item to be discussed in Closed Session	Informational.
<b>NEW BUSINESS</b> <b>Item 4. Review and Approval of California Health Facilities Financing Authority (CHFFA) Distressed Hospital Loan Program (DHLP) Second Amendment to Loan and Security Agreement—Action</b>  RESOLUTION NO. ECRMC 26-01—A RESOLUTION OF THE BOARD OF TRUSTEES OF EL CENTRO REGIONAL MEDICAL CENTER AUTHORIZING EXECUTION AND DELIVERY OF SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND AMENDED AND RESTATED PROMISSORY NOTE, IN CONNECTION THEREWITH FOR A LOAN UNDER THE DISTRESSED HOSPITAL LOAN PROGRAM	David Momberg presented the CHFFA DHLP Second Amendment to Loan and Security Agreement to the Board of Trustees.  Through legislation, entities who met specific requirement were able to apply for waiver of DHLP repayment in 12-month increments. ECRMC was approved for a waiver for the next years payments, starting at 05/01/2026.	MOTION: by Marroquin; second by Ellett and carried to approve the California Health Facilities Financing Authority (CHFFA) Distressed Hospital Loan Program (DHLP) Second Amendment to Loan and Security Agreement  RESOLUTION NO. ECRMC 26-01—A RESOLUTION OF THE BOARD OF TRUSTEES OF EL CENTRO REGIONAL MEDICAL CENTER AUTHORIZING EXECUTION AND DELIVERY OF SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT AND AMENDED AND RESTATED PROMISSORY NOTE, IN CONNECTION THEREWITH FOR A LOAN UNDER THE DISTRESSED HOSPITAL LOAN PROGRAM  All present in favor; none opposed.

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
<p><b>FINANCE and OPERATIONAL UPDATE</b> <b>Item 5. Review and Approval of the Financial Statements for Month and Year-to-Date as of March 2026.</b></p>	<p>David Momberg presented the Financial Statements for Month and Year-to-Date as of March 2026 report and answered questions. Presentation included:</p> <ul style="list-style-type: none"> <li>• Comparative volumes vs. Prior Month/Year</li> <li>• Balance Sheet vs. Prior Month comparison</li> <li>• Operating Statement vs. Prior Month comparison</li> <li>• Monthly Cash Flow (Fiscal Year to Date)</li> </ul>	<p>MOTION: by Ellett; second by Camarena and carried to approve the Financial Statements for Month and Year-to-Date as of March 2026.</p> <p>All present in favor; none opposed.</p>
<p><b>RECESS TO CLOSED SESSION</b></p>		<p>MOTION: by Marroquin, second by Ellett and carried to recess to Closed Session at 5:55 p.m. for HEARING/ DELIBERATIONS RE MEDICAL QUALITY COMMITTEE REPORTS/STAFF PRIVILEGES, and TRADE SECRETS.</p> <p>All present in favor to recess to Closed Session. None opposed</p>
<p><b>RECONVENE TO OPEN SESSION</b></p>		<p>The Board of Trustees reconvened to Open Session at 6:34 p.m.</p>
<p><b>ANNOUNCEMENT OF CLOSED SESSION ACTIONS, IF ANY— GENERAL COUNSEL</b></p>		<p><b>[A. HEARING/DELIBERATIONS RE MEDICAL QUALITY COMMITTEE REPORTS/STAFF PRIVILEGES— GOVERNMENT CODE SECTION 37624.3]</b></p> <p>MOTION: by Ellett, second by Camarena and carried to approve the Report of Medical Executive Committee’s Credentials Recommendations Report for Appointments,</p>

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
		Reappointments, Resignations and Other Credentialing/Privileging Actions of Medical Staff and/or AHP Staff.  All present in favor; none opposed.
<b>ADJOURNMENT</b>		There being no further business, meeting was adjourned at approximately 6:35 p.m.

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BELEN GONZALEZ, BOARD EXECUTIVE SECRETARY

APPROVED BY

\_\_\_\_\_  
SYLVIA MARROQUIN, ACTING-BOARD PRESIDENT



**El Centro Regional Medical Center  
BOARD OF TRUSTEES – SPECIAL MINUTES**

**OPEN SESSION MINUTES**

MOB CONFERENCE ROOMS 1 & 2  
1271 Ross Avenue, El Centro, CA 92243

Zoom Meeting link: <https://ecrmc.zoom.us/j/89475727728?pwd=Y3DraEq9VPAFGtVhWj9gzQ0vTV9pwp.1>

**Thursday, May 14, 2026**

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
<b>ROLL CALL</b>	<p><b>PRESENT:</b> Marroquin; Carter; Camarena; Ellett; Crankshaw; Maysent, Chief Executive Officer Pablo Velez; and Executive Board Secretary Belen Gonzalez</p> <p><b>Via Zoom:</b> ECRMC Chief of Staff Andrew Lafree, MD; Tomaszewski; UCSD Tammy Morita; City of El Centro Attorney Joanna Hoff</p> <p><b>ALSO PRESENT:</b> ECRMC Attorney Douglas Habig; UCSD Veronica Marsich</p> <p><b>Hospital Administrative Staff:</b> David Momberg-CFO; Luis Castro-CHRO; Seung Gwon, MD-CMO</p>	
<b>CALL TO ORDER</b>		The Board of Trustees convened in open session at 4:00 p.m. Acting Board President Marroquin called the meeting to order.
<b>OPENING CEREMONY</b>	The Pledge of Allegiance was recited in unison.	None
<b>NOTICE OF MEETING</b>	Notice of meeting was posted and mailed consistent with legal requirements.	None

Special Meeting  
May 14, 2026, 4:00 p.m.

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
<b>PUBLIC COMMENTS</b>	None	None
<b>BOARD MEMBER COMMENTS</b>	<i>Trustee Camarena</i> Board member Camarena suggested recording and televising future board meetings to allow the public to be more informed and involved; to be able to hear the Board's discussions and direction.	None
<b>RECESS TO CLOSED SESSION</b>		MOTION: by Marroquin, second by Ellett and carried to recess to Closed Session at 4:04 p.m. for HEARING/DELIBERATIONS RE MEDICAL QUALITY COMMITTEE REPORTS/STAFF PRIVILEGES, and TRADE SECRETS.  All present in favor to recess to Closed Session. None opposed.
<b>RECONVENE TO OPEN SESSION</b>		The Board of Trustees reconvened to Open Session at 5:32 p.m.
<b>ANNOUNCEMENT OF CLOSED SESSION ACTIONS, IF ANY— GENERAL COUNSEL</b>		[A. HEARING/DELIBERATIONS RE MEDICAL QUALITY COMMITTEE REPORTS/STAFF PRIVILEGES— GOVERNMENT CODE SECTION 37624.3]  MOTION: by, Ellett second by Crankshaw and carried to approve the Report of Medical Executive Committee's Credentials Recommendations Report for Appointments, Reappointments, Resignations and Other

TOPIC	DISCUSSION/CONCLUSION	RECOMMENDATION/ACTION
		Credentialing/Privileging Actions of Medical Staff and/or AHP Staff.  All present in favor; none opposed.
<b>ADJOURNMENT</b>		There being no further business, meeting was adjourned at approximately 5:33 p.m.

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BELEN GONZALEZ, BOARD EXECUTIVE SECRETARY

APPROVED BY

\_\_\_\_\_  
SYLVIA MARROQUIN, ACTING-BOARD PRESIDENT



**TO:** HOSPITAL BOARD MEMBERS  
**FROM:** David Momberg, Chief Financial Officer  
**DATE:** June 29, 2026  
**MEETING:** Board of Trustees

**SUBJECT:** Apr 2026 Month and Year-to-Date Financial Statements

**BUDGET IMPACT:**  Does not Apply  
A. Does the action impact/affect financial resources?  Yes  No  
B. If yes, what is the impact amount: \_\_\_\_\_

**BACKGROUND:** The month of April resulted in net operating loss of \$1.1, a negative margin of 9% and positive EBIDA of \$760K and 5.9%. FYTD EBIDA is positive at \$7.7M and positive margin YTD of 6%.

**DISCUSSION:** For a more detailed description of financial performance, please see the attached Financial Report.

**RECOMMENDATION:** (1) Approve (2) Do not approve

**ATTACHMENT(S):**

- Financial Packet for April 2026

Approved for agenda, Chief Executive Officer

Date and Signature: Pablo Velazquez



# April 2026 Financial Report

May 26, 2026

**To: Finance Committee**

**From: David Momberg, Chief Financial Officer**

The following package contains:

- Comparative volumes vs. Prior Month/Year
- Balance Sheet vs. Prior Month comparison
- Operating Statement vs. Prior Month comparison
- Monthly Cash Flow (Fiscal Year to Date)

## **Balance Sheet:**

- a) Cash and Cash Equivalents decreased (\$1.7M) due to higher payments to vendors (5 Thursdays in April) coupled with \$4M transfer to UBS.
- b) Other receivables decreased (\$36k) due to 340b Hope pharmacy payment received.
- c) Due from Third-Party payors decreased (\$4.2M) due to DHDP/QIP funding received offset but accrued receivables.
- d) Deferred Outflows of Resources – Pension decreased (\$719k) due to lower pension payments made during the month related to credit account.
- e) Accounts Payable and Accrued Expenses decreased (\$9.1M) due to UCSD long-term debt agreement.
- f) Due to Third-Party Payors decreased (\$3.9M) due to DHLP forgiveness resulting in no current debt.
- g) Notes Payable, Less Current Portion increased (\$12M) due to UCSD long-term debt agreement coupled with DHLP forgiveness effect.
- h) Net Pension Liability decreased (\$4M) due to funds moved to UBS.

- i) Days in A/R decreased to 66.72 from 67.87. The goal is 50 days.
- j) Accounts payable days decreased, 75.84 vs. 97.94 days from previous month.
- k) Current Ratio is 2.18 (1.75 last month).

**Income Statement – Current Month Actual vs. Prior Month:**

- a) Our Inpatient Revenue was 24.5% lower due to lower patient days (1,455 vs. 1,788 prior month).
- b) Our Outpatient Revenue was 6.4% lower mainly due to lower ER visits (2,854 vs. 3,254 prior) and lower clinic visits (4,792 vs. 5,466).
- c) Contractuals for the month were 81.9% of gross revenues (82.1% YTD).
- d) Charity and Bad debt were 1.4% of gross revenues.
- e) Registry was 176.5% higher due to Radiology Director expense over accrued and released previous month.
- f) Employee benefits was 14.2% lower due to lower Health Insurance expenses.
- g) Professional Fees – Non-Medical was 41.5% lower mainly due to lower merger related legal expenses.
- h) Supplies Medical was 17.7% lower, returning to normal activity higher infusion therapy procedures performed during the previous month.
- i) Supplies Non-medical was 21.4% lower due to incorrect Soft Computer Consultants accrual release.
- j) Other fees was 22.1% lower due to California Retina over accrued expenses released.
- k) Depreciation and Amortization was 26.9% due to ASB capitalization during the month resulting in depreciation catch-up.
- l) Insurance expense was 336.6% higher, returning to normal activity due to expense catch-up.
- m) Other Expenses was 13.6% higher mainly due to higher CHA expenses than expected.
- n) April 2026 shows a Net loss of \$1.2M (*\$761k positive EBIDA*).

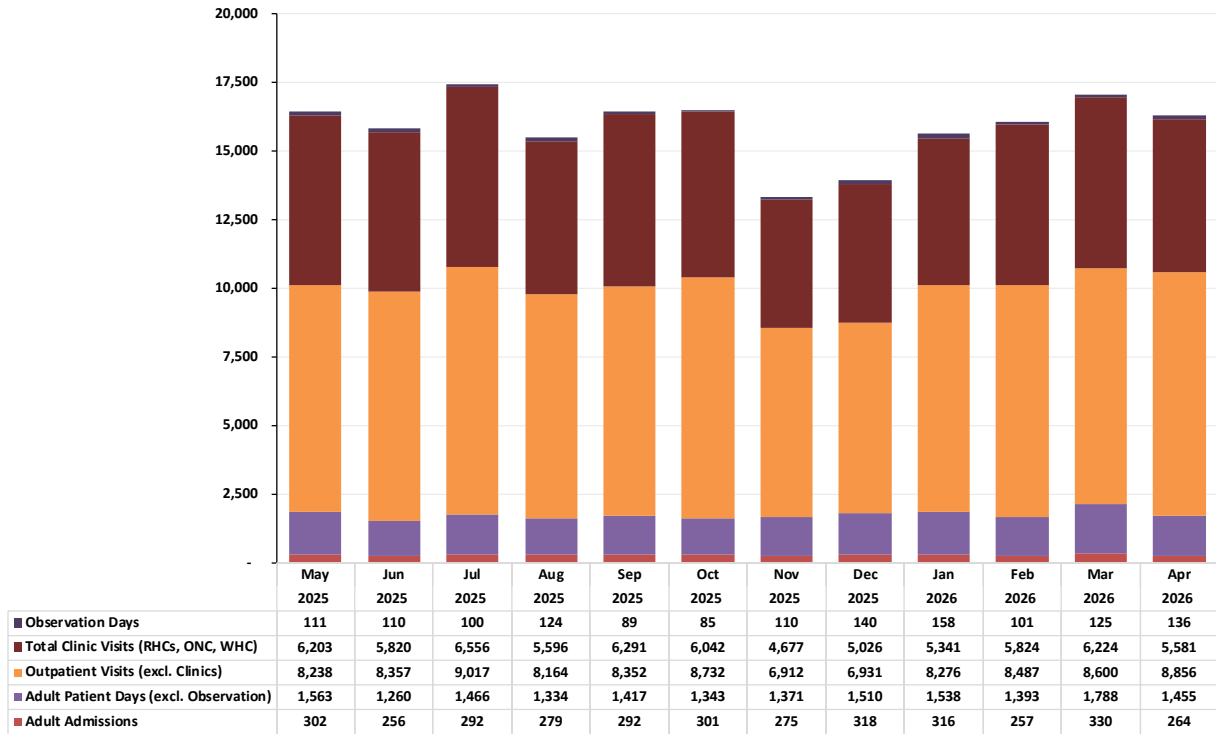
## **Definitions:**

- **EBIDA** - Earnings Before Interest, Depreciation, and Amortization.
- **Contribution Margin** – Total Revenue minus Expenses (excluding functional areas of IT, Finance, HR, and management assessments/restructuring costs).
- **EBIDA Margin** –  $\text{EBIDA} / \text{Total Revenue}$ .
- **Operating Expenses Per Day** – Total Expenses less Depreciation divided by Days.
- **Operating Revenue Per Day** –  $\text{Operating Income} / \text{Days}$ .
- **Days Cash on Hand** –  $\text{Cash} / \text{Operating Expenses per Day}$ .
- **Days Revenue in A/R** –  $\text{Accounts Receivable} / \text{Operating Revenue per Day}$ .
- **Current Ratio** –  $\text{Current Assets} / \text{Current Liabilities}$ .
- **Equity Financing Ratio** –  $\text{Total Capital} / \text{Total Debt}$ .

## El Centro Regional Medical Center Comparative Volumes as of April 30, 2026

	Jan 2026	Feb 2026	Mar 2026	Apr 2026	YTD Actual	YTD Budget	YTD Variance
Adult Admissions (excl. Observation)	316	257	330	264	2,924	2,674	250
Patient Days (excl. Observation)	1,538	1,393	1,788	1,455	14,615	13,366	1,249
Average Length of Stay (excl. Observation)	4.9	5.4	5.4	5.5	5.0	5.0	(0.0)
Average Daily Census (excl. Observation)	49.6	49.8	57.7	48.5	48.1	48.1	-
Average Daily Census (ADC) Observation	5.1	3.6	4.0	4.5	3.8	4.5	(0.7)
Total ADC (including Observation)	54.7	53.4	61.7	53.0	51.9	52.6	(0.7)
Observation Days (excluding Obstetrics)	158	101	125	136	1,168	1,380	(212)
Outpatient Visits (excluding Clinics)	8,276	8,487	8,600	8,856	82,327	76,280	6,047
Emergency Room Visits	3,211	3,001	3,254	2,854	29,524	28,245	1,279
El Centro Rural Health Clinic Visits	2,576	2,863	3,231	2,556	28,747	34,247	(5,500)
Calexico Rural Health Clinic Visits	2,065	2,250	2,235	2,236	21,508	27,048	(5,540)
Rural Health Clinic Visits - Total	4,641	5,113	5,466	4,792	50,255	61,295	(11,040)
Wound Healing Center Visits	143	135	157	147	1,393	1,430	(37)
Oncology Center Visits	557	576	601	642	5,510	6,218	(708)
Oncology Center Infusion Procedures	1,300	1,350	1,647	1,580	13,733	13,877	(144)
Surgeries without C-Sections	432	432	431	403	4,361	4,297	64
DaVinci Cases	31	49	46	36	301	518	(217)

### Rolling-12 Volume Trend



## ECRMC BALANCE SHEET COMPARED TO PRIOR MONTH

	April 30, 2026	March 31, 2026	Variance (\$)	Variance (%)
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,274,898	\$ 4,995,040	\$ (1,720,142)	-34%
Net Patient Accounts Receivable	21,886,656	21,473,557	413,099	2%
Other Receivables	40,552	76,612	(36,060)	-47%
Due from Third-Party Payors	50,669,306	55,087,974	(4,418,668)	-8%
Inventories	2,917,066	2,950,063	(32,998)	-1%
Prepaid Expenses & Other	1,711,248	1,810,072	(98,825)	-5%
<b>Total Current Assets</b>	<b>80,499,726</b>	<b>86,393,319</b>	<b>(5,893,594)</b>	<b>-7%</b>
Assets Limited as to Use				
Restricted Building Capital Fund	360,935	350,433	10,502	3%
Funds Held by Trustee for Debt Service	12,664,691	12,002,681	662,010	6%
Restricted Programs	11,497	11,497	-	0%
<b>Total Assets Limited as to Use</b>	<b>13,037,123</b>	<b>12,364,611</b>	<b>672,512</b>	<b>5%</b>
Property, Plant, and Equipment: Net	156,957,120	157,053,475	(96,356)	0%
Other Assets	1,202,531	1,194,719	7,812	1%
<b>Total Assets</b>	<b>251,696,499</b>	<b>257,006,125</b>	<b>(5,309,626)</b>	<b>-2%</b>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows of Resources - Pension	(4,317,153)	(3,597,553)	(719,600)	20%
<b>Total Deferred Outflows of Resources</b>	<b>(4,317,153)</b>	<b>(3,597,553)</b>	<b>(719,600)</b>	<b>20%</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 247,379,347</b>	<b>\$ 253,408,573</b>	<b>\$ (6,029,226)</b>	<b>-2%</b>
<b>Liabilities</b>				
Current Liabilities:				
Current Portion of Bonds	1,455,000	1,450,000	5,000	0%
Current Portion of Capital Lease Obligations	843,590	867,539	(23,949)	-3%
Accounts Payable and Accrued Expenses	20,200,679	29,252,245	(9,051,566)	-31%
Accrued Compensation and Benefits	9,942,840	9,613,024	329,815	3%
Due to Third-Party Payors	4,426,705	8,292,303	(3,865,598)	-47%
<b>Total Current Liabilities</b>	<b>36,868,814</b>	<b>49,475,111</b>	<b>(12,606,297)</b>	<b>-25%</b>
Long-Term Bond Payable, Less Current Portion	110,768,331	110,869,598	(101,267)	0%
Capital Lease Obligations, Less Current Portion	3,437,294	3,555,499	(118,205)	-3%
Notes Payable, Less Current Portion	36,342,860	24,370,370	11,972,490	49%
Net Pension Liability	52,851,200	56,851,200	(4,000,000)	-7%
<b>Total Liabilities</b>	<b>240,268,498</b>	<b>245,121,778</b>	<b>(4,853,280)</b>	<b>-2%</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows of Resources - Pension	-	-	-	0%
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Net Position</b>				
Restricted Fund Balance	27,653	27,653	-	0%
Fund Balance	7,083,196	8,259,142	(1,175,946)	-14%
<b>Total Net Position</b>	<b>7,110,848</b>	<b>8,286,794</b>	<b>(1,175,946)</b>	<b>-14%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 247,379,347</b>	<b>\$ 253,408,573</b>	<b>\$ (6,029,226)</b>	<b>-2%</b>
Days Cash on Hand	8.12	12.08		
Days Revenue in A/R	66.72	67.87		
Days in A/P	75.84	97.94		
Current Ratio	2.18	1.75		
Debt Service Coverage Ratio	3.96	4.24		

# STATEMENTS OF OPERATIONS

	MTD January 31,	MTD February 28,	MTD March 31,	MTD April 30,	YTD April 30,	YTD April 30,	YTD BUDGET April 30,
	2026	2026	2026	2026	2025	2026	2026
Adult Admissions	316	257	330	264	2,674	2,924	2,674
Adult Patient Days (excl. Observation)	1,538	1,393	1,788	1,455	13,366	14,615	13,366
Outpatient Visits (excl. Clinics)	8,276	8,487	8,600	8,856	76,280	82,327	76,280
Total Clinic Visits (RHCs, ONC, WHC)	5,341	5,824	6,224	5,581	68,943	57,158	68,943
Observation Days	158	101	125	136	1,380	1,168	1,380
<b>OPERATING REVENUE</b>							
I/P Revenue	\$ 15,950,081	\$ 14,264,602	\$ 19,263,878	\$ 14,547,580	\$ 161,288,573	\$ 158,177,689	\$ 157,523,755
O/P Revenue - Laboratory	7,146,719	6,516,518	6,851,124	6,552,656	59,450,597	63,466,491	58,406,198
O/P Revenue - CT Scanner	6,337,543	4,222,748	6,893,563	5,947,828	60,860,057	60,589,988	110,741,390
O/P Revenue - Emergency Room	7,452,967	8,126,341	8,116,871	6,961,960	65,447,173	72,821,558	64,101,259
O/P Revenue - Oncology	787,639	672,433	817,772	813,066	32,569,265	7,162,643	32,403,852
O/P Revenue - Others	21,784,153	22,565,001	25,855,197	25,157,069	202,636,354	231,143,711	242,160,302
Gross Patient Revenues	59,459,102	56,367,644	67,798,405	59,980,158	582,252,019	593,362,079	665,336,756
Other Operating Revenue	432,495	298,643	307,187	242,029	3,706,209	3,225,152	4,231,209
Total Operating Revenue	59,891,598	56,666,286	68,105,592	60,222,188	585,958,229	596,587,231	669,567,965
Contractuals							
IP Contractuals	13,565,507	11,115,898	13,444,925	11,189,895	119,772,959	117,006,001	119,777,340
OP Contractuals	35,420,392	35,153,942	41,966,635	37,936,139	341,348,343	369,945,492	420,208,454
Charity	112,781	126,734	11,654	135,932	1,453,015	815,574	1,453,015
Provision for Bad Debts	622,581	857,352	488,339	688,457	5,693,763	6,598,394	5,693,763
Other Third Party Programs	(2,474,250)	(2,474,250)	(2,474,250)	(2,474,250)	(14,923,778)	(24,908,065)	(14,923,778)
M/Cal Disproportionate Share	0	0	(750,000)	(83,333)	(440,000)	(833,333)	(440,000)
Total Deductions	47,247,012	44,779,675	52,687,303	47,392,840	452,904,303	468,624,064	531,768,795
Total Net Revenues	12,644,586	11,886,611	15,418,289	12,829,348	133,053,926	127,963,167	137,799,170
<b>EXPENSES</b>							
Salaries & Wages	5,335,180	4,743,734	5,471,855	5,396,991	52,059,439	52,160,944	52,957,773
Registry	33,813	6,536	(22,919)	17,526	273,977	575,817	273,977
Employee Benefits	571,881	646,928	645,586	554,128	9,044,413	7,340,051	9,268,996
Employee Benefits - Pension GASB 68	719,600	710,282	719,600	719,600	6,156,481	7,167,753	6,156,481
Professional Fees - Medical	1,273,852	1,308,173	1,347,056	1,372,728	12,375,732	13,322,063	15,030,923
Professional Fees - Non-Med	171,622	418,503	374,302	218,950	2,106,708	2,741,841	2,106,708
Supplies - Medical	2,000,484	2,467,833	3,201,979	2,634,391	24,452,429	25,726,477	24,429,678
Supplies - Non-Medical	136,673	118,853	129,655	101,957	1,610,703	1,360,236	1,604,035
Food	89,939	87,301	89,292	97,290	801,657	885,390	798,647
Repairs and Maintenance	560,375	669,025	632,244	595,658	6,853,661	6,173,695	6,854,039
Other Fees	453,854	567,897	572,129	445,527	5,695,274	5,285,785	6,346,445
Lease and Rental	24,944	31,431	38,333	79,502	290,245	342,823	290,245
Utilities	189,335	188,757	167,136	180,416	1,977,997	1,807,029	1,971,349
Depreciation and Amortization	544,312	472,945	497,644	631,751	6,072,749	5,168,954	6,072,750
Insurance	169,807	179,202	63,292	276,322	1,832,632	1,785,688	1,832,632
Other Expenses	227,497	165,094	109,196	124,018	1,124,202	1,316,239	1,124,202
Total Operating Expenses	12,503,168	12,782,492	14,036,381	13,446,757	132,728,298	133,160,784	137,118,879
Operating Income	141,418	(895,881)	1,381,908	(617,409)	325,628	(5,197,617)	680,291
Operating Margin %	1.1%	-7.5%	9.0%	-4.8%	0.2%	-4.1%	0.5%
Non-Operating Revenue and Expenses							
Investment Income	163,111	29,498	23,430	26,891	570,764	596,195	570,764
Grants and Contributions Revenue	0	0	0	0	1,063,120	0	1,063,120
Non Operating Revenue/(Expense)	0	0	0	0	661,875	0	661,875
Interest Expense	(585,800)	(587,518)	(583,805)	(585,427)	(5,948,082)	(5,860,571)	(5,948,082)
Total Non-Operating Rev. and Expenses	(422,689)	(558,020)	(560,375)	(558,537)	(3,652,323)	(5,264,376)	(3,652,323)
(Deficit)/Excess Rev. Over Exp.	\$ (281,271)	\$ (1,453,901)	\$ 821,534	\$ (1,175,946)	\$ (3,326,696)	\$ (10,461,994)	\$ (2,972,032)
(Deficit)/Excess Rev. Over Exp. %	-2.2%	-12.2%	5.3%	-9.2%	-2.5%	-8.2%	-2.2%
EBIDA	1,568,442	316,844	2,622,583	760,833	14,850,617	7,735,285	15,205,281
EBIDA %	12.4%	2.7%	17.0%	5.9%	11.2%	6.0%	11.0%

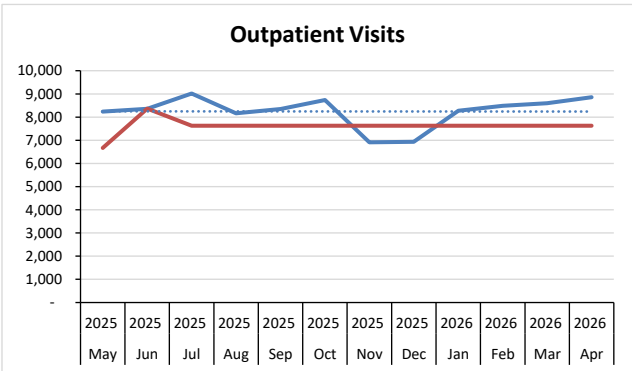
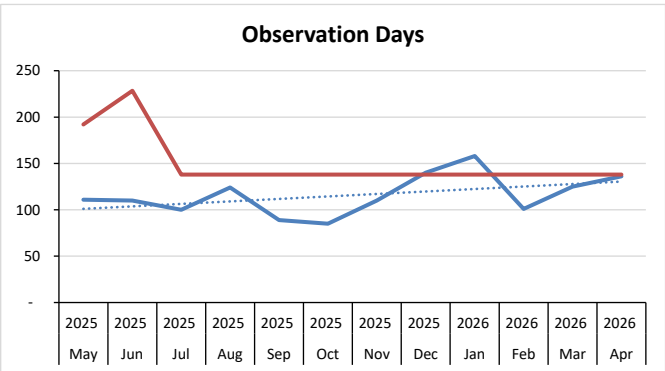
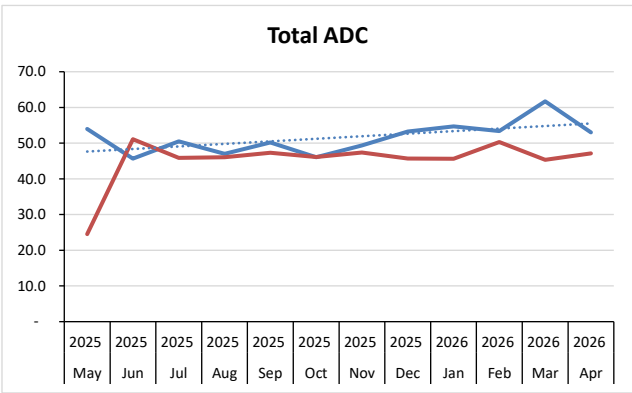
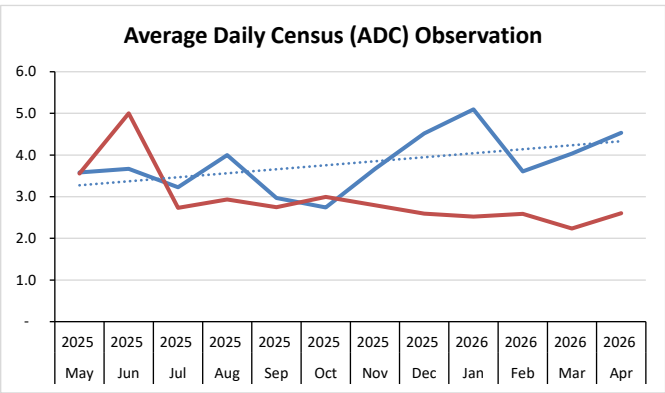
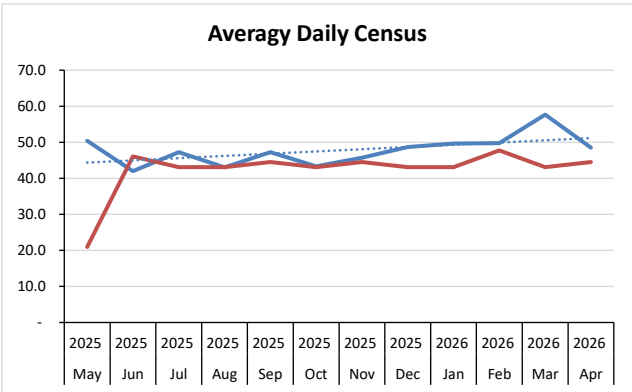
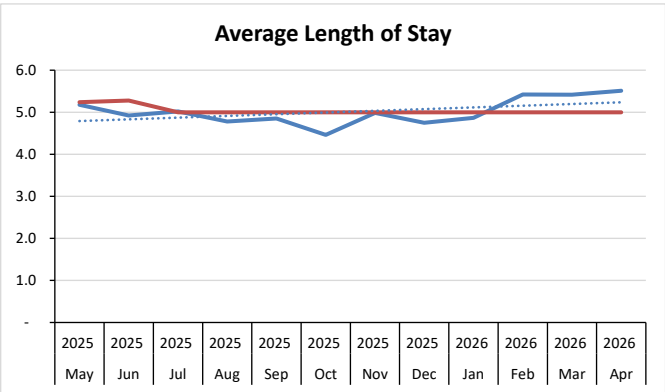
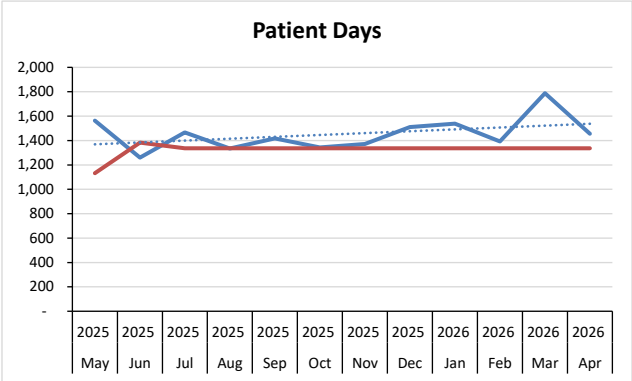
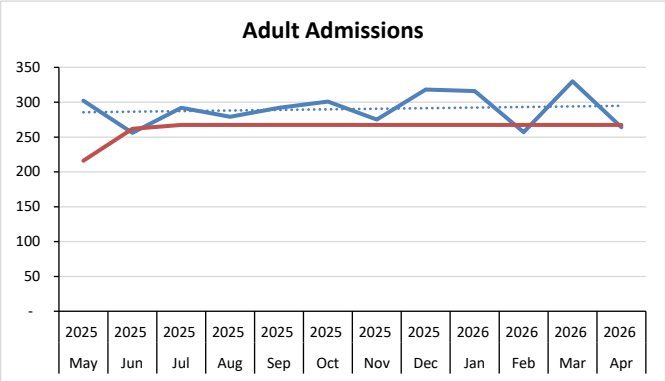
**El Centro Regional Medical Center**  
**Monthly Cash Flow**

*Unaudited*

	July 2025	August 2025	September 2025	October 2025	November 2025	December 2025	January 2026	February 2026	March 2026	April 2026	Year-to-Date 2026
<i>Cash Flow From Operating Activities</i>											
Net Income/(Loss)	\$ 1,531,620	\$ (928,870)	\$ (4,964,247)	\$ (2,060,067)	\$ (1,295,258)	\$ (684,345)	\$ (281,271)	\$ (1,453,901)	\$ 821,534	\$ (1,175,946)	\$ (10,490,751)
<i>Adjustments to reconcile net income to net cash:</i>											
Add: Depreciation	576,457	570,465	548,724	555,687	227,580	543,389	544,312	472,945	497,644	631,751	\$ 5,168,954
Capital Lease Interest	4,729	4,807	4,518	4,063	3,656	3,067	3,405	3,152	2,842	2,764	\$ 37,003
Bond Interest	578,211	578,211	578,211	578,211	578,211	578,211	578,211	578,211	578,211	578,211	\$ 5,782,107
Accounts Receivable	181,484	117,559	5,349,354	2,077,513	893,317	(675,118)	2,110,013	385,832	258,357	(413,099)	\$ 10,285,212
Other Receivables	161,635	(26,032)	(19,841)	(50,501)	23,728	(3,575)	(19,932)	55,134	111,033	36,060	\$ 267,708
Inventory	(22,343)	(46,520)	1,424	1,141	12,225	3,756	18,774	1,247	1,708	32,998	\$ 4,412
Prepaid Expenses/Other Assets	(696,936)	477,026	(95,484)	66,263	58,132	(79,410)	71,369	36,749	(394,661)	91,013	\$ (465,938)
Accounts Payable and Accrued Expenses	1,035,816	1,216,039	340,127	(1,502,650)	736,667	185,428	337,133	2,044,429	1,278,824	(9,726,044)	\$ (4,054,231)
Accrued Compensation and Benefits	(1,907,284)	211,863	427,550	561,175	444,359	(1,736,148)	31,743	93,384	640,077	329,815	\$ (903,467)
Third-Party Liabilities	(2,473,448)	(3,782,432)	(1,812,277)	631,228	(5,689,044)	3,589,782	(2,713,285)	(7,111,139)	2,039,812	4,182,700	\$ (13,138,103)
Net Pension Obligation	719,600	710,137	719,600	710,134	4,719,600	719,600	(3,280,400)	8,710,282	(3,280,400)	(3,280,400)	\$ 7,167,753
<i>Net Cash From Operating Activities</i>	\$ (310,459)	\$ (897,746)	\$ 1,077,659	\$ 1,572,197	\$ 713,173	\$ 2,444,636	\$ (2,599,928)	\$ 3,816,325	\$ 2,554,980	\$ (8,710,177)	\$ (339,339)
<i>Cash Flow From Investing Activities</i>											
Fixed Assets - Gross	\$ (804,470)	\$ (518,646)	\$ (691,873)	\$ (599,649)	\$ (52,014)	\$ (390,293)	\$ (409,492)	\$ (1,380,674)	\$ (27,860)	\$ (535,396)	\$ (5,410,368)
Intangible Assets - Gross	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Assets	3,912,524	(666,888)	(669,248)	(670,923)	(673,488)	(675,078)	2,539,509	(668,923)	(669,440)	(672,512)	\$ 1,085,533
<i>Net Cash From Investing Activities</i>	\$ 3,108,054	\$ (1,185,535)	\$ (1,361,121)	\$ (1,270,572)	\$ (725,503)	\$ (1,065,371)	\$ 2,130,017	\$ (2,049,597)	\$ (697,301)	\$ (1,207,907)	\$ (4,324,836)
<i>Cash Flow From Financing Activities</i>											
Bond Payable	\$ (4,719,631)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,344,369)	\$ -	\$ -	\$ -	\$ (8,064,000)
Capital Leases	(234,766)	(240,557)	(286,507)	(238,790)	(183,988)	(220,862)	(245,774)	(214,345)	(147,021)	8,197,942	\$ 6,185,331
Notes Payable	-	-	-	-	-	-	-	-	-	-	\$ -
<i>Net Cash From Financing Activities</i>	\$ (4,954,397)	\$ (240,557)	\$ (286,507)	\$ (238,790)	\$ (183,988)	\$ (220,862)	\$ (3,590,143)	\$ (214,345)	\$ (147,021)	\$ 8,197,942	\$ (1,878,669)
<i>Total Change In FY 2026 Cash</i>	\$ (2,156,803)	\$ (2,323,837)	\$ (569,969)	\$ 62,835	\$ (196,318)	\$ 1,158,403	\$ (4,060,054)	\$ 1,552,382	\$ 1,710,659	\$ (1,720,142)	\$ (6,542,844)
<i>Cash &amp; Cash Equivalents, Beginning Balance</i>	9,817,742	7,660,939	5,337,101	4,767,132	4,829,967	4,633,650	5,792,053	1,731,999	3,284,381	4,995,040	9,817,742
<i>Cash &amp; Cash Equivalents, Ending Balance</i>	\$ 7,660,939	\$ 5,337,101	\$ 4,767,132	\$ 4,829,967	\$ 4,633,650	\$ 5,792,053	\$ 1,731,999	\$ 3,284,381	\$ 4,995,040	\$ 3,274,898	\$ 3,274,898

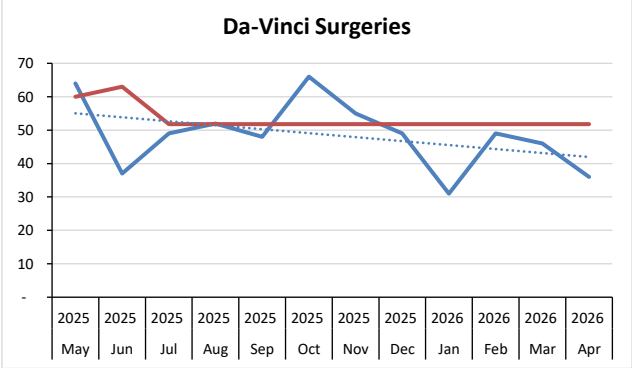
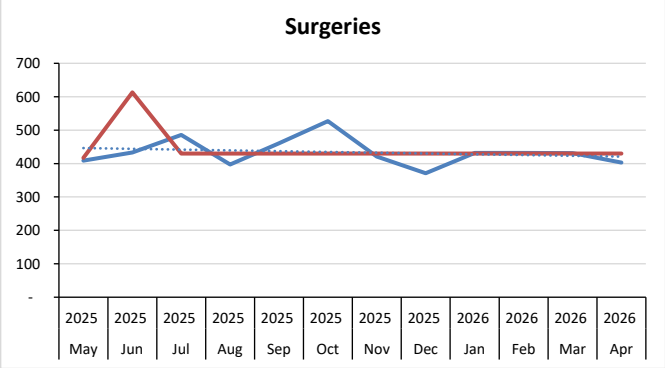
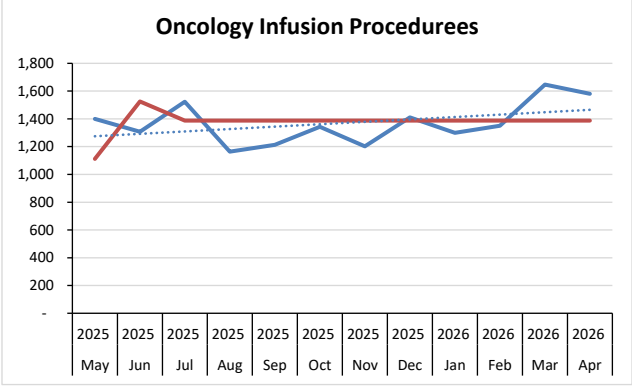
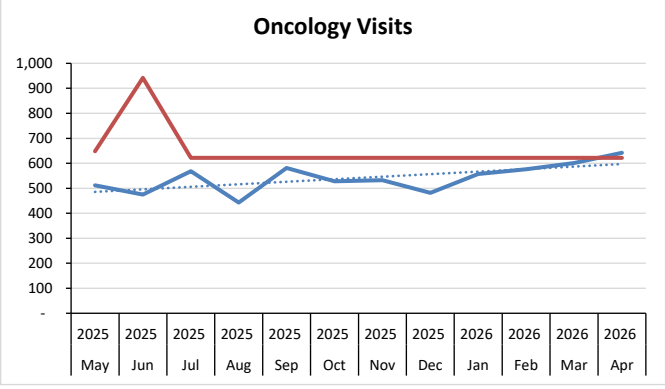
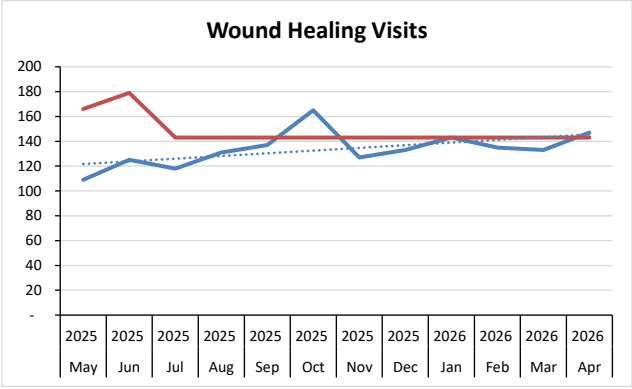
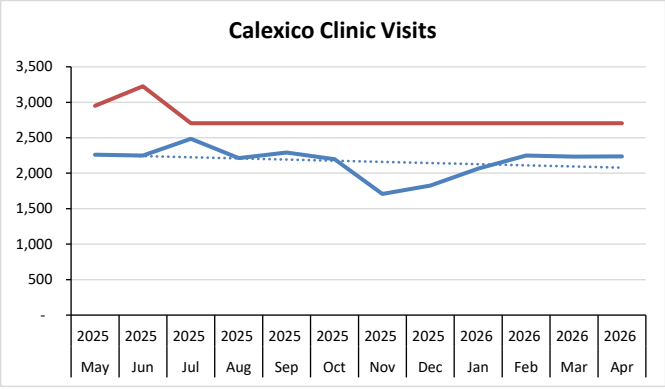
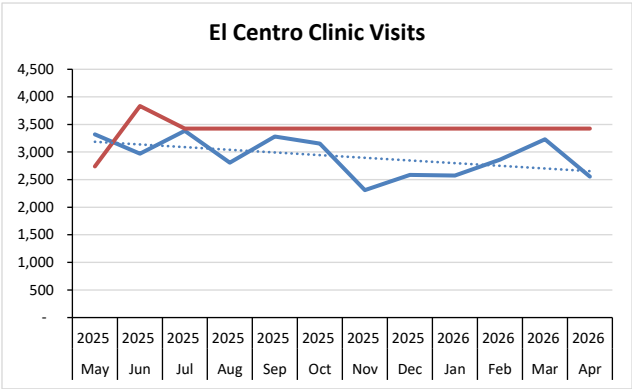
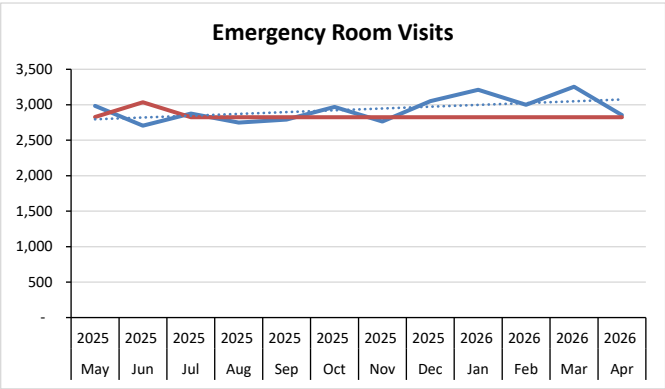
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# El Centro Regional Medical Center Rolling-12 Volume trend



█ BUDGET  
█ ACTUALS

# El Centro Regional Medical Center Rolling-12 Volume trend



█ BUDGET  
█ ACTUALS



**TO:** HOSPITAL BOARD MEMBERS

**FROM:** David Momberg, Chief Financial Officer

**DATE:** June 29, 2026

**MEETING:** Board of Trustees

**SUBJECT:** May 2026 Month and Year-to-Date Financial Statements

**BUDGET IMPACT:**  Does not Apply  
A. Does the action impact/affect financial resources?  Yes  No  
B. If yes, what is the impact amount: \_\_\_\_\_

**BACKGROUND:** The month of May resulted in net operating gain of \$4.6M, a positive margin of 38.5% and positive EBIDA of \$6.5M and 54.7%. FYTD EBIDA is positive at \$14.3M and positive margin YTD of 10%.

**DISCUSSION:** For a more detailed description of financial performance, please see the attached Financial Report.

**RECOMMENDATION:** (1) Approve (2) Do not approve

**ATTACHMENT(S):**

- Financial Packet for May 2026

Approved for agenda, Chief Executive Officer

Date and Signature: \_\_\_\_\_

*Pablo Velazquez*



## May 2026 Financial Report

June 22, 2026

**To: Finance Committee**

**From: David Momberg, Chief Financial Officer**

The following package contains:

- Comparative volumes vs. Prior Month/Year
- Balance Sheet vs. Prior Month comparison
- Operating Statement vs. Prior Month comparison
- Monthly Cash Flow (Fiscal Year to Date)

### **Balance Sheet:**

- a) Cash and Cash Equivalents increased (\$983k) due to UBS transfer partially offset by high payments to vendors.
- b) Other receivables increased (\$38k) due to 340b pharmacy receivables pending to receive.
- c) Prepaid Expenses and Other decreased (\$979k) due to Cardinal prepaid payments applied to payables.
- d) Other Assets decreased (\$454k) due to Cardinal prepaid payments applied to payables.
- e) Deferred Outflows of Resources – Pension decreased (\$711k) due to lower pension payments made during the month related to credit account.
- f) Notes payable, Less Current Portion decreased (\$6.7M) due to DHLF forgiveness (\$6.2M).
- g) Net Pension Liability increased (\$4M) due UBS funds transfers.
- h) Days in A/R decreased to 65.57 from 67.03. The goal is 50 days.

- i) Accounts payable days decreased, 77.44 vs. 77.94 days from previous month.
- j) Current Ratio is 2.12 (2.05 last month).

**Note:** Initial balances updated based on final FY 2025 Audit received adjustments.

**Income Statement – Current Month Actual vs. Prior Month:**

- a) Inpatient Revenue was 3.7% lower due to lower patient days (1,412 vs. 1,455 prior month).
- b) Outpatient Revenue was 13.3% lower mainly due to lower Oncology visits and procedures (1,797 vs 2,222 prior).
- c) Contractual adjustments for the month were 81.6% of gross revenues (82% YTD).
- d) Charity and Bad debt were 1.2% of gross revenues.
- e) Registry was 100.6% higher due to Pharmacy contract labor.
- f) Employee benefits were 40.5% higher mainly related to higher health insurance expenses.
- g) Professional Fees – Non-Medical was 64.2% higher mainly related to extra week in pay periods.
- h) Supplies Medical was 17.7% lower, returning to normal activity higher infusion therapy procedures performed during the previous month.
- i) Supplies non-medical was 48% lower mainly due to inventory adjustments performed.
- j) Food expense was 13.8% lower related to Hospital Week expense celebrated in previous month.
- k) Other fees were 22.1% lower due to California Retina over accrued expenses released.
- l) Depreciation and Amortization was 26.9% due to ASB capitalization during the month resulting in depreciation catch-up.
- m) Insurance expense was 59.9% lower, returning to normal activity due to expense catch-up previous month.
- n) Other Expenses was 21.5% higher due to HASDIC expenses unbudgeted.
- o) Non-Operating Revenue/(Expense) shows \$6.2M gain related to DHLP first year debt forgiveness.
- p) May 2026 shows a Net gain of \$4.6M (*\$6.6M positive EBIDA*).

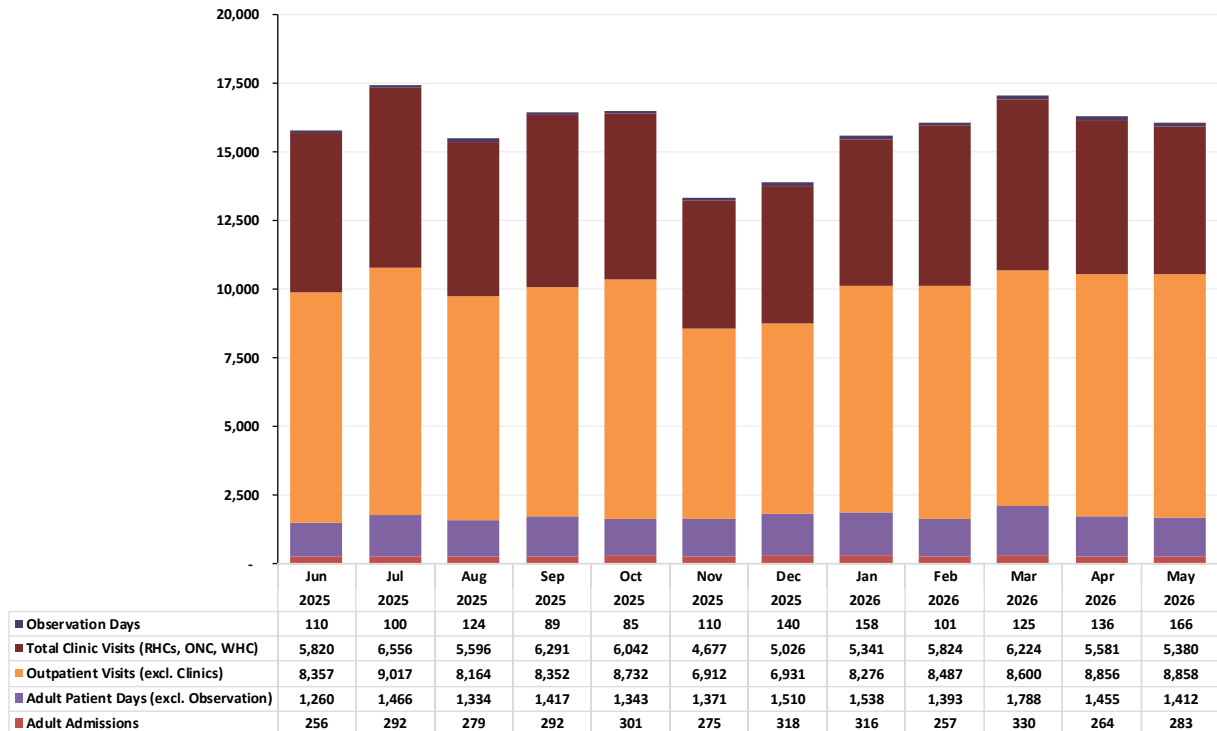
## Definitions:

- **EBIDA** - Earnings Before Interest, Depreciation, and Amortization.
- **Contribution Margin** – Total Revenue minus Expenses (excluding functional areas of IT, Finance, HR, and management assessments/restructuring costs).
- **EBIDA Margin** –  $EBIDA / \text{Total Revenue}$ .
- **Operating Expenses Per Day** – Total Expenses less Depreciation divided by Days.
- **Operating Revenue Per Day** –  $\text{Operating Income} / \text{Days}$ .
- **Days Cash on Hand** –  $\text{Cash} / \text{Operating Expenses per Day}$ .
- **Days Revenue in A/R** –  $\text{Accounts Receivable} / \text{Operating Revenue per Day}$ .
- **Current Ratio** –  $\text{Current Assets} / \text{Current Liabilities}$ .
- **Equity Financing Ratio** –  $\text{Total Capital} / \text{Total Debt}$ .

## El Centro Regional Medical Center Comparative Volumes as of May 31, 2026

	Feb 2026	Mar 2026	Apr 2026	May 2026	YTD Actual	YTD Budget	YTD Variance
Adult Admissions (excl. Observation)	257	330	264	283	3,207	2,941	266
Patient Days (excl. Observation)	1,393	1,788	1,455	1,412	16,027	14,703	1,324
Average Length of Stay (excl. Observation)	5.4	5.4	5.5	5.0	5.0	5.0	(0.0)
Average Daily Census (excl. Observation)	49.8	57.7	48.5	45.5	47.8	47.8	-
Average Daily Census (ADC) Observation	3.6	4.0	4.5	5.4	4.0	4.5	(0.5)
Total ADC (including Observation)	53.4	61.7	53.0	50.9	51.8	52.4	(0.5)
Observation Days (excluding Obstetrics)	101	125	136	166	1,334	1,518	(184)
Outpatient Visits (excluding Clinics)	8,487	8,600	8,856	8,858	91,185	83,908	7,277
Emergency Room Visits	3,001	3,254	2,854	3,081	32,605	31,070	1,536
El Centro Rural Health Clinic Visits	2,863	3,231	2,556	2,659	31,406	37,672	(6,266)
Calexico Rural Health Clinic Visits	2,250	2,235	2,236	2,165	23,673	29,753	(6,080)
Rural Health Clinic Visits - Total	5,113	5,466	4,792	4,824	55,079	67,425	(12,346)
Wound Healing Center Visits	135	157	147	147	1,540	1,573	(33)
Oncology Center Visits	576	601	642	409	5,919	6,840	(921)
Oncology Center Infusion Procedures	1,350	1,647	1,580	1,388	15,121	15,265	(144)
Surgeries without C-Sections	432	431	403	377	4,738	4,727	11
DaVinci Cases	49	46	36	39	301	570	(269)

### Rolling-12 Volume Trend



## ECRMC BALANCE SHEET COMPARED TO PRIOR MONTH

	May 31, 2026	April 30, 2026	Variance (\$)	Variance (%)
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 4,255,484	\$ 3,272,744	\$ 982,740	30%
Net Patient Accounts Receivable	20,942,653	21,886,657	(944,004)	-4%
Other Receivables	114,751	76,472	38,278	50%
Due from Third-Party Payors	50,841,471	47,316,065	3,525,406	7%
Inventories	2,936,829	2,917,066	19,763	1%
Prepaid Expenses & Other	732,654	1,711,248	(978,593)	-57%
<b>Total Current Assets</b>	<b>79,823,842</b>	<b>77,180,252</b>	<b>2,643,590</b>	<b>3%</b>
<b>Assets Limited as to Use</b>				
Restricted Building Capital Fund	373,090	360,935	12,155	3%
Funds Held by Trustee for Debt Service	13,326,688	12,664,691	661,997	5%
Restricted Programs	11,497	11,497	-	0%
<b>Total Assets Limited as to Use</b>	<b>13,711,275</b>	<b>13,037,123</b>	<b>674,152</b>	<b>5%</b>
Property, Plant, and Equipment: Net	156,363,947	156,957,120	(593,173)	0%
Other Assets	748,741	1,202,531	(453,790)	-38%
<b>Total Assets</b>	<b>250,647,805</b>	<b>248,377,025</b>	<b>2,270,779</b>	<b>1%</b>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows of Resources - Pension	(5,027,730)	(4,317,153)	(710,578)	16%
<b>Total Deferred Outflows of Resources</b>	<b>(5,027,730)</b>	<b>(4,317,153)</b>	<b>(710,578)</b>	<b>16%</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 245,620,074</b>	<b>\$ 244,059,873</b>	<b>\$ 1,560,201</b>	<b>1%</b>
<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Current Portion of Bonds	1,460,000	1,455,000	5,000	0%
Current Portion of Capital Lease Obligations	819,596	843,590	(23,994)	-3%
Accounts Payable and Accrued Expenses	19,435,039	20,185,679	(750,640)	-4%
Accrued Compensation and Benefits	11,195,783	10,788,263	407,520	4%
Due to Third-Party Payors	4,709,256	4,426,705	282,551	6%
<b>Total Current Liabilities</b>	<b>37,619,674</b>	<b>37,699,237</b>	<b>(79,563)</b>	<b>0%</b>
Long-Term Bond Payable, Less Current Portion	110,667,063	110,768,331	(101,267)	0%
Capital Lease Obligations, Less Current Portion	3,309,528	3,437,294	(127,766)	-4%
Notes Payable, Less Current Portion	29,602,119	36,342,860	(6,740,741)	-19%
Net Pension Liability	56,851,200	52,851,200	4,000,000	8%
<b>Total Liabilities</b>	<b>238,049,585</b>	<b>241,098,921</b>	<b>(3,049,337)</b>	<b>-1%</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows of Resources - Pension	-	-	-	0%
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Net Position</b>				
Restricted Fund Balance	27,653	27,653	-	0%
Fund Balance	7,542,837	2,933,299	4,609,538	157%
<b>Total Net Position</b>	<b>7,570,489</b>	<b>2,960,951</b>	<b>4,609,538</b>	<b>156%</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 245,620,074</b>	<b>\$ 244,059,873</b>	<b>\$ 1,560,201</b>	<b>1%</b>
Days Cash on Hand	11.28	8.12		
Days Revenue in A/R	65.57	67.03		
Days in A/P	77.44	77.94		
Current Ratio	2.12	2.05		
Debt Service Coverage Ratio	3.93	3.46		

## STATEMENTS OF OPERATIONS

	MTD February 28, 2026	MTD March 31, 2026	MTD April 30, 2026	MTD May 31, 2026	YTD May 31, 2025	YTD May 31, 2026	YTD BUDGET May 31, 2026
Adult Admissions	257	330	264	283	2,976	3,207	2,941
Adult Patient Days (excl. Observation)	1,393	1,788	1,455	1,412	14,929	16,027	14,703
Outpatient Visits (excl. Clinics)	8,487	8,600	8,856	8,858	84,518	91,185	83,908
Total Clinic Visits (RHCs, ONC, WHC)	5,824	6,224	5,581	5,380	75,146	62,538	75,837
Observation Days	101	125	136	166	1,491	1,334	1,518
<b>OPERATING REVENUE</b>							
I/P Revenue	\$ 14,264,602	\$ 19,263,878	\$ 14,547,580	\$ 14,006,635	\$ 179,232,586	\$ 172,184,324	\$ 173,276,131
O/P Revenue - Laboratory	6,516,518	6,851,124	6,552,656	6,260,126	65,413,457	69,726,617	64,246,818
O/P Revenue - CT Scanner	4,222,748	6,893,563	5,947,828	5,759,350	67,030,623	66,349,338	121,815,529
O/P Revenue - Emergency Room	8,126,341	8,116,871	6,961,960	6,028,237	72,397,049	78,849,794	70,511,385
O/P Revenue - Oncology	672,433	817,772	813,066	613,525	33,268,537	7,776,168	35,644,237
O/P Revenue - Others	22,565,001	25,855,197	25,157,069	20,714,876	226,657,856	251,858,587	266,376,332
Gross Patient Revenues	56,367,644	67,798,405	59,980,158	53,382,749	644,000,110	646,744,828	731,870,431
Other Operating Revenue	298,643	307,187	242,029	253,232	4,015,139	3,478,384	4,654,330
Total Operating Revenue	56,666,286	68,105,592	60,222,188	53,635,981	648,015,249	650,223,212	736,524,762
Contractuals							
IP Contractuals	11,115,898	13,444,925	11,189,895	13,642,842	134,080,662	130,648,843	131,755,074
OP Contractuals	35,153,942	41,966,635	37,936,139	29,903,373	375,030,758	399,848,865	462,229,300
Charity	126,734	11,654	135,932	13,676	1,417,631	829,250	1,598,317
Provision for Bad Debts	857,352	488,339	688,457	653,489	6,434,208	7,251,883	6,263,139
Other Third Party Programs	(2,474,250)	(2,474,250)	(2,474,250)	(2,474,250)	(16,265,528)	(27,382,315)	(16,416,156)
M/Cal Disproportionate Share	0	(750,000)	(83,333)	(83,333)	(440,000)	(916,667)	(484,000)
Total Deductions	44,779,675	52,687,303	47,392,840	41,655,797	500,257,731	510,279,861	584,945,674
Total Net Revenues	11,886,611	15,418,289	12,829,348	11,980,184	147,757,517	139,943,351	151,579,087
<b>EXPENSES</b>							
Salaries & Wages	4,743,734	5,471,855	5,396,991	5,083,514	57,301,841	57,244,458	58,253,551
Registry	6,536	(22,919)	17,526	35,159	304,073	610,975	301,374
Employee Benefits	646,928	645,586	554,128	778,539	10,233,216	8,118,590	10,195,896
Employee Benefits - Pension GASB 68	710,282	719,600	719,600	710,578	6,876,081	7,878,331	6,772,129
Professional Fees - Medical	1,308,173	1,347,056	1,372,728	1,251,763	13,640,549	14,573,826	16,534,015
Professional Fees - Non-Med	418,503	374,302	218,950	359,589	2,292,739	3,101,431	2,317,379
Supplies - Medical	2,467,833	3,201,979	2,634,391	2,507,473	26,981,273	28,233,950	26,872,645
Supplies - Non-Medical	118,853	129,655	101,957	53,010	1,730,655	1,413,246	1,764,439
Food	87,301	89,292	97,290	83,890	900,751	969,280	878,512
Repairs and Maintenance	669,025	632,244	595,658	603,953	7,463,073	6,769,533	7,539,442
Other Fees	567,897	572,129	445,527	453,247	6,230,013	5,735,107	6,981,090
Lease and Rental	31,431	38,333	79,502	38,080	315,741	380,902	319,269
Utilities	188,757	167,136	180,416	181,988	2,154,412	1,989,017	2,168,484
Depreciation and Amortization	472,945	497,644	631,751	640,142	6,703,314	5,809,096	6,680,025
Insurance	179,202	63,292	276,322	110,831	1,968,864	1,896,519	2,015,895
Other Expenses	165,094	109,196	124,018	150,684	1,237,260	1,466,923	1,236,622
Total Operating Expenses	12,782,492	14,036,381	13,446,757	13,042,440	146,333,854	146,191,183	150,830,768
Operating Income	(895,881)	1,381,908	(617,409)	(1,062,255)	1,423,664	(6,247,832)	748,320
Operating Margin %	-7.5%	9.0%	-4.8%	-8.9%	1.0%	-4.5%	0.5%
Non-Operating Revenue and Expenses							
Investment Income	29,498	23,430	26,891	40,478	622,792	636,673	627,840
Grants and Contributions Revenue	0	0	0	0	1,063,120	0	1,169,432
Non Operating Revenue/(Expense)	0	0	0	6,222,222	661,875	6,222,222	728,063
Interest Expense	(587,518)	(583,805)	(585,427)	(590,664)	(6,540,701)	(6,451,235)	(6,542,891)
Total Non-Operating Rev. and Expenses	(558,020)	(560,375)	(558,537)	5,672,036	(4,192,913)	407,660	(4,017,556)
(Deficit)/Excess Rev. Over Exp.	\$ (1,453,901)	\$ 821,534	\$ (1,175,946)	\$ 4,609,781	\$ (2,769,250)	\$ (5,840,172)	\$ (3,269,236)
(Deficit)/Excess Rev. Over Exp. %	-12.2%	5.3%	-9.2%	38.5%	-1.9%	-4.2%	-2.2%
EBIDA	316,844	2,622,583	760,833	6,551,165	17,350,846	14,298,491	16,725,809
EBIDA %	2.7%	17.0%	5.9%	54.7%	11.7%	10.2%	11.0%

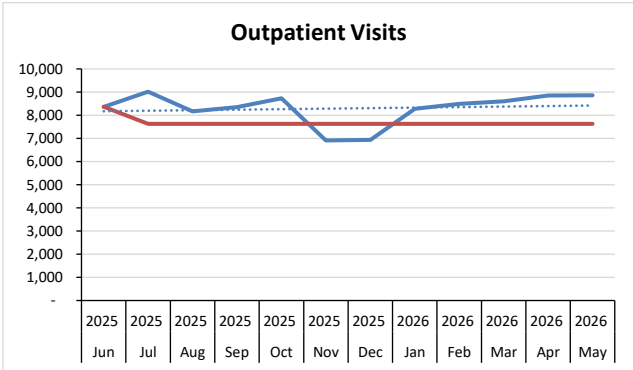
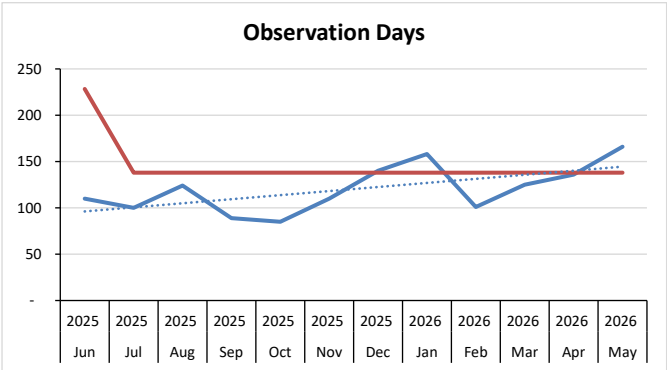
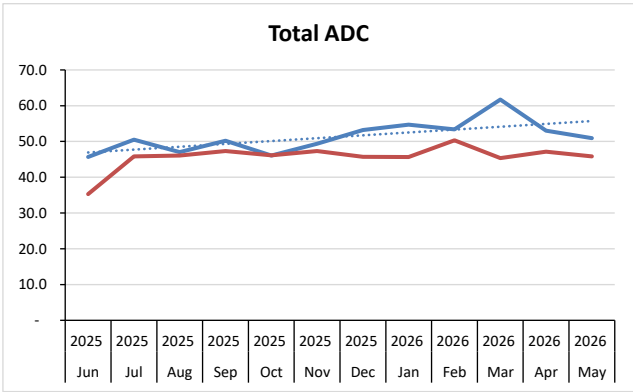
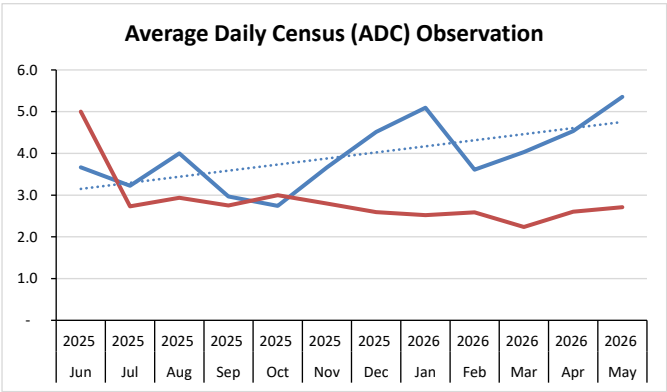
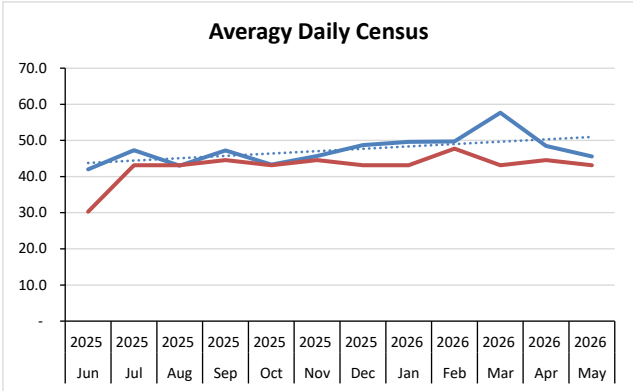
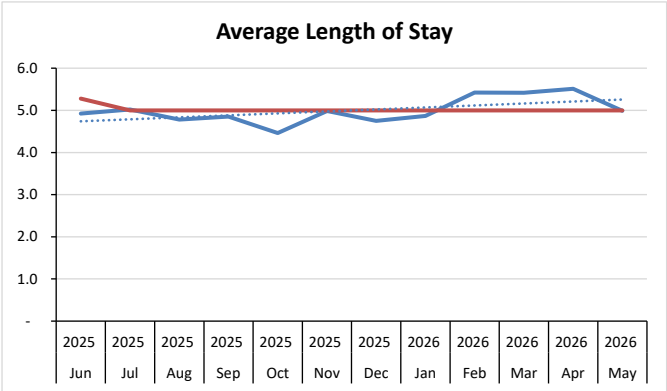
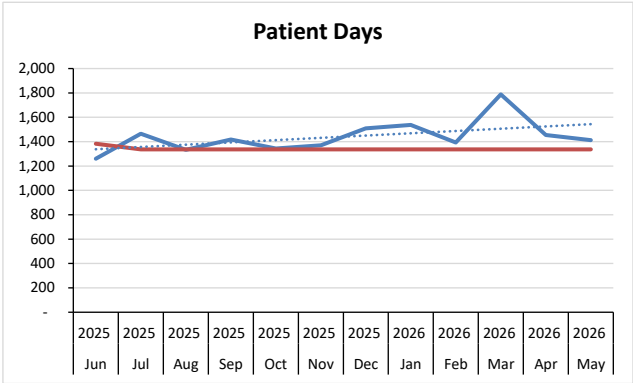
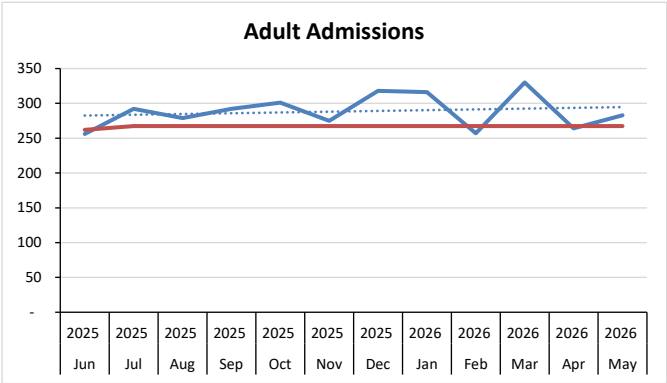
**El Centro Regional Medical Center**  
**Monthly Cash Flow**

*Unaudited*

	July 2025	August 2025	September 2025	October 2025	November 2025	December 2025	January 2026	February 2026	March 2026	April 2026	May 2026	Year-to-Date 2026
<i>Cash Flow From Operating Activities</i>												
Net Income/(Loss)	\$ 1,541,946	\$ (928,870)	\$ (4,964,247)	\$ (2,058,352)	\$ (1,295,258)	\$ (684,345)	\$ (281,271)	\$ (1,453,901)	\$ 821,534	\$ (1,175,946)	\$ 4,609,538	\$ (5,869,171)
<i>Adjustments to reconcile net income to net cash:</i>												
Add: Depreciation	576,457	570,465	548,724	555,687	227,580	543,389	544,312	472,945	497,644	631,751	640,142	\$ 5,809,096
Capital Lease Interest	4,729	4,807	4,518	4,063	3,656	3,067	3,405	3,152	2,842	2,764	2,686	\$ 39,689
Bond Interest	578,211	578,211	578,211	578,211	578,211	578,211	578,211	578,211	578,211	578,211	578,211	\$ 6,360,318
Accounts Receivable	181,484	117,559	5,349,354	2,077,513	893,317	(675,118)	2,110,013	385,832	258,357	(413,099)	944,004	\$ 11,229,216
Other Receivables	161,635	(26,032)	(19,841)	(50,501)	23,728	(3,575)	(19,932)	55,134	111,033	36,060	(38,278)	\$ 229,429
Inventory	(22,343)	(46,520)	1,424	1,141	12,225	3,756	18,774	1,247	1,708	32,998	(19,763)	\$ (15,351)
Prepaid Expenses/Other Assets	(707,262)	477,026	(95,484)	64,548	58,132	(79,410)	71,369	36,749	(394,661)	91,013	1,432,383	\$ 954,404
Accounts Payable and Accrued Expenses	1,035,816	1,216,039	340,127	(1,502,650)	736,667	185,428	337,133	2,044,429	1,278,824	(9,726,044)	(1,425,118)	\$ (5,479,349)
Accrued Compensation and Benefits	(1,907,284)	211,863	427,550	561,175	444,359	(1,736,148)	31,743	93,384	640,077	329,815	407,520	\$ (495,947)
Third-Party Liabilities	(2,473,448)	(3,782,432)	(1,812,277)	631,228	(5,689,044)	3,589,782	(2,713,285)	(7,111,139)	2,039,812	4,182,700	(9,983,596)	\$ (23,121,699)
Net Pension Obligation	719,600	710,137	719,600	710,134	4,719,600	719,600	(3,280,400)	8,710,282	(3,280,400)	(3,280,400)	4,710,578	\$ 11,878,331
<i>Net Cash From Operating Activities</i>	\$ (310,459)	\$ (897,746)	\$ 1,077,659	\$ 1,572,197	\$ 713,173	\$ 2,444,636	\$ (2,599,928)	\$ 3,816,325	\$ 2,554,980	\$ (8,710,177)	\$ 1,858,307	\$ 1,518,967
<i>Cash Flow From Investing Activities</i>												
Fixed Assets - Gross	\$ (804,470)	\$ (518,646)	\$ (691,873)	\$ (599,649)	\$ (52,014)	\$ (390,293)	\$ (409,492)	\$ (1,380,674)	\$ (27,860)	\$ (535,396)	\$ (46,969)	\$ (5,457,337)
Intangible Assets - Gross	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Assets	3,912,524	(666,888)	(669,248)	(670,923)	(673,488)	(675,078)	2,539,509	(668,923)	(669,440)	(672,512)	(674,152)	\$ 411,380
<i>Net Cash From Investing Activities</i>	\$ 3,108,054	\$ (1,185,535)	\$ (1,361,121)	\$ (1,270,572)	\$ (725,503)	\$ (1,065,371)	\$ 2,130,017	\$ (2,049,597)	\$ (697,301)	\$ (1,207,907)	\$ (721,121)	\$ (5,045,957)
<i>Cash Flow From Financing Activities</i>												
Bond Payable	\$ (4,719,631)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,344,369)	\$ -	\$ -	\$ -	\$ -	\$ (8,064,000)
Capital Leases	(234,766)	(240,557)	(286,507)	(238,790)	(183,988)	(220,862)	(245,774)	(214,345)	(147,021)	8,197,942	(154,446)	\$ 6,030,885
Notes Payable	-	-	-	-	-	-	-	-	-	-	-	\$ -
<i>Net Cash From Financing Activities</i>	\$ (4,954,397)	\$ (240,557)	\$ (286,507)	\$ (238,790)	\$ (183,988)	\$ (220,862)	\$ (3,590,143)	\$ (214,345)	\$ (147,021)	\$ 8,197,942	\$ (154,446)	\$ (2,033,115)
<i>Total Change In FY 2026 Cash</i>	\$ (2,156,803)	\$ (2,323,837)	\$ (569,969)	\$ 62,835	\$ (196,318)	\$ 1,158,403	\$ (4,060,054)	\$ 1,552,382	\$ 1,710,659	\$ (1,720,142)	\$ 982,740	\$ (5,560,104)
<i>Cash &amp; Cash Equivalents, Beginning Balance</i>	9,815,588	7,658,785	5,334,947	4,764,978	4,827,813	4,631,496	5,789,899	1,729,845	3,282,227	4,992,886	3,272,744	9,815,588
<i>Cash &amp; Cash Equivalents, Ending Balance</i>	\$ 7,658,785	\$ 5,334,947	\$ 4,764,978	\$ 4,827,813	\$ 4,631,496	\$ 5,789,899	\$ 1,729,845	\$ 3,282,227	\$ 4,992,886	\$ 3,272,744	\$ 4,255,484	\$ 4,255,484

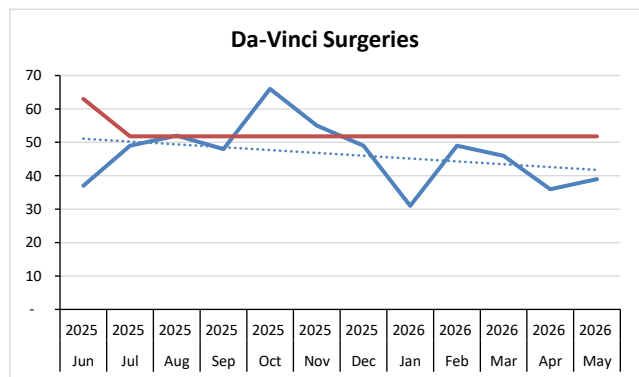
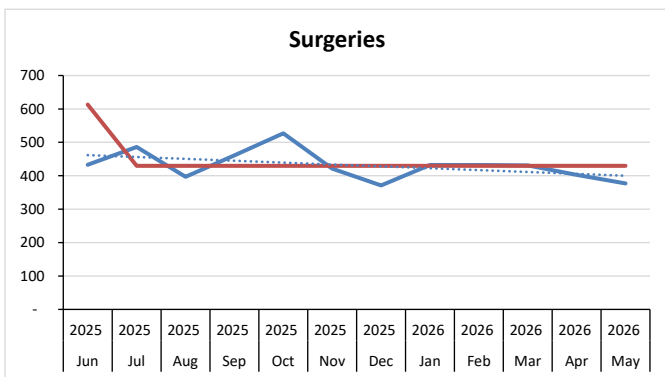
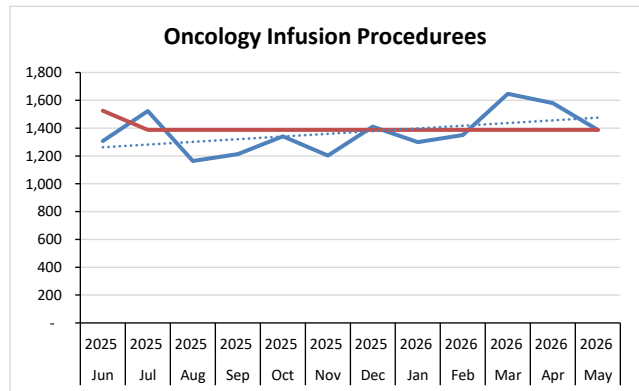
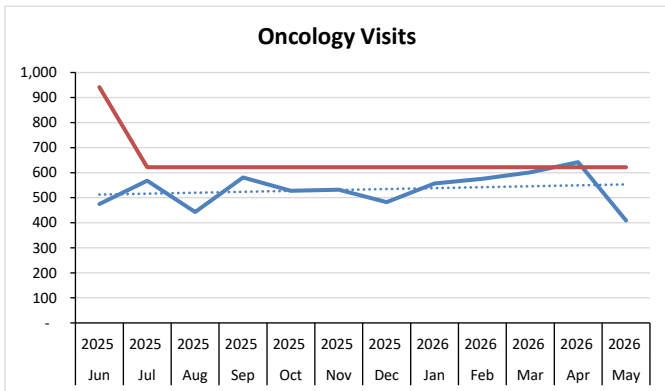
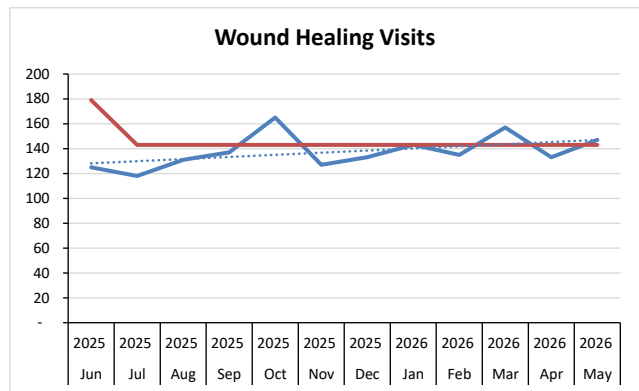
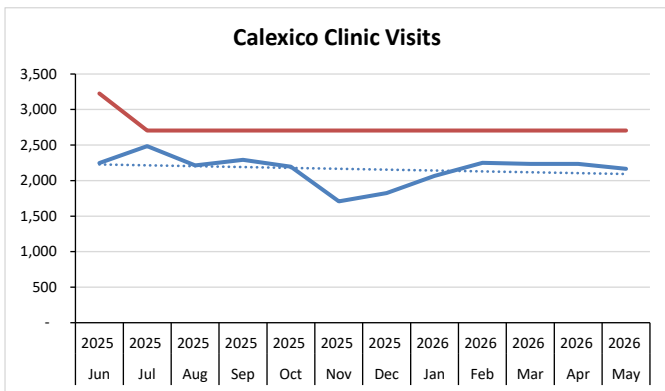
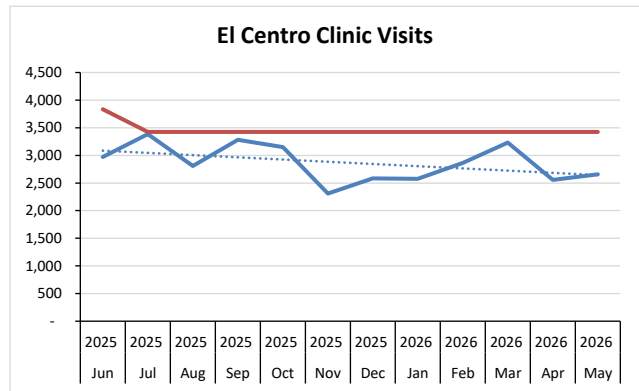
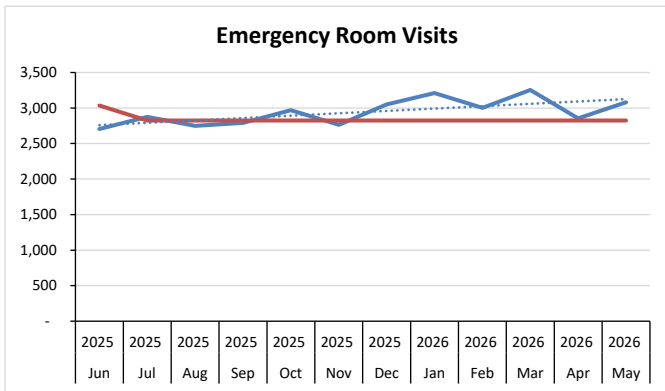
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# El Centro Regional Medical Center Rolling-12 Volume trend



█ BUDGET  
█ ACTUALS

# El Centro Regional Medical Center Rolling-12 Volume trend



█ BUDGET  
█ ACTUALS



**TO:** HOSPITAL BOARD MEMBERS  
**FROM:** David Momberg, Chief Financial Officer  
**DATE:** Jun 29, 2026  
**MEETING:** Board of Trustees

**SUBJECT:** 2027 Annual Fiscal Budget

**BUDGET IMPACT:**  Does not Apply  
A. Does the action impact/affect financial resources?  Yes  No  
B. If yes, what is the impact amount: \_\_\_\_\_

**BACKGROUND:** Annual budgets are used to guide strategic and operational objectives.

**DISCUSSION:** Annual Budget

Gross Rev - \$721M  
TTL Rev - \$175M  
TTL Exp - \$165M  
Net Gain - \$3M  
Net EBIDA - \$22.9M

**RECOMMENDATION:** (1) Approve (2) Do not approve

**ATTACHMENT(S):**

- Annual Budget

Approved for agenda, Chief Executive Officer

Date and Signature: \_\_\_\_\_

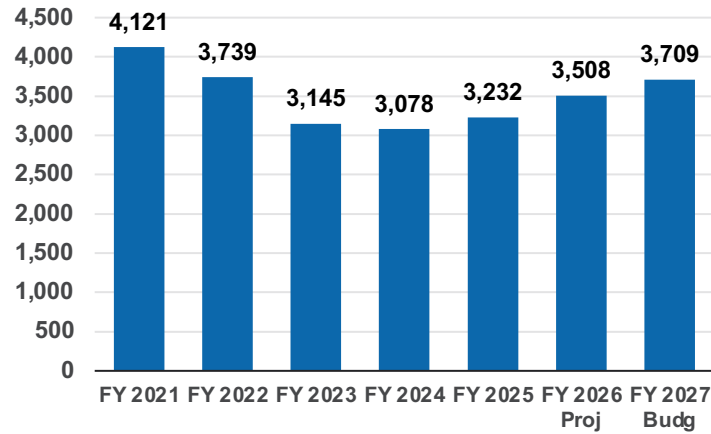
*Pablo Velazquez*



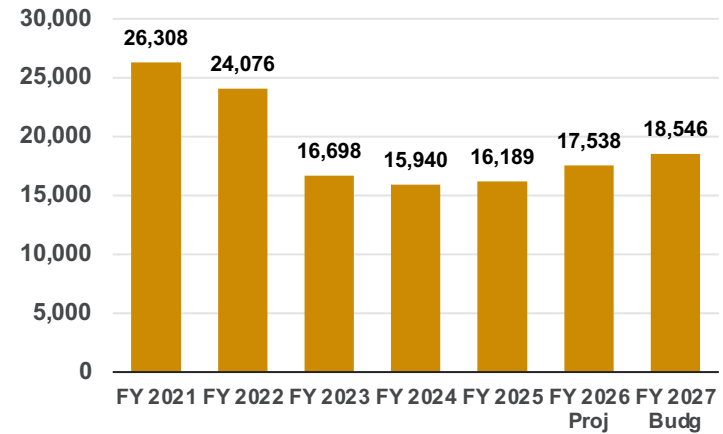
# **Operating & Capital Budget for FYE June 2027**

# Trends: Inpatient Admissions

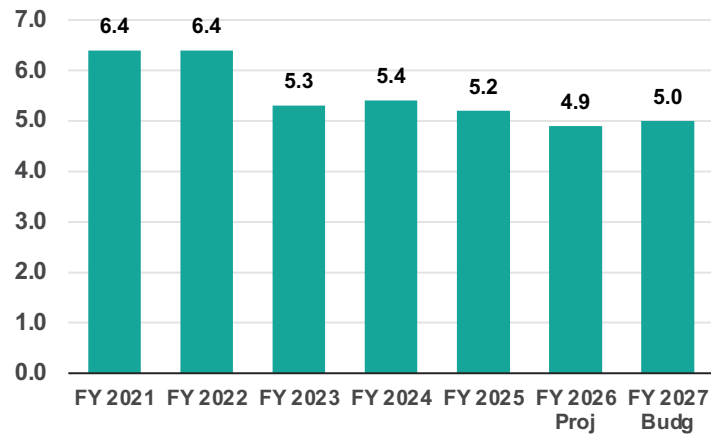
## ADMISSIONS



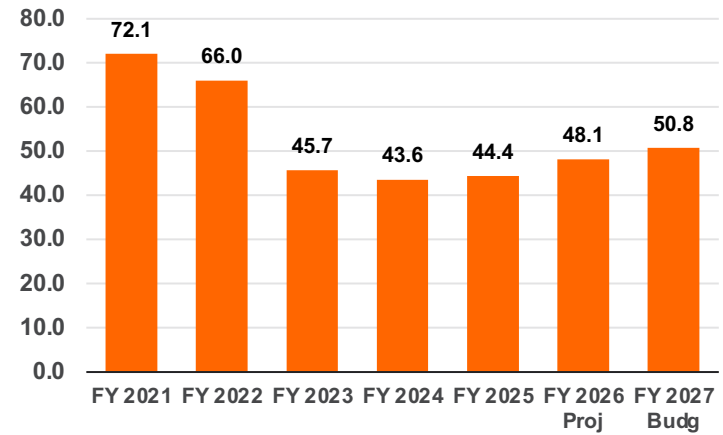
## PATIENT DAYS



## AVERAGE LENGTH OF STAY

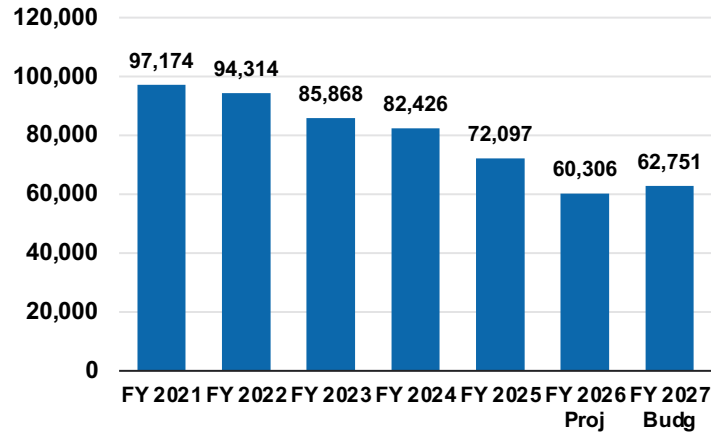


## AVERAGE DAILY CENSUS

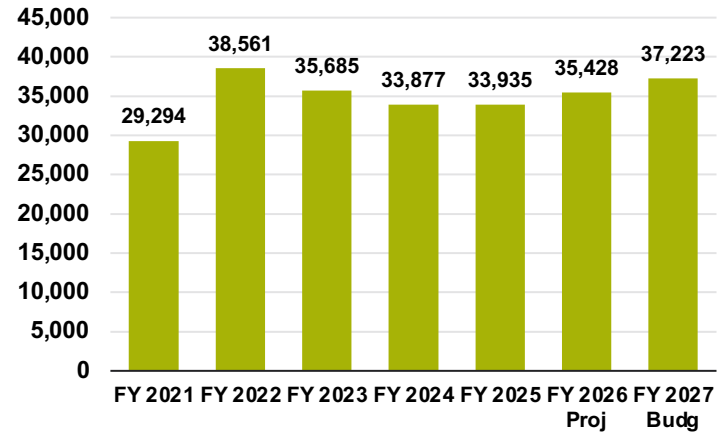


# Trends: Outpatient Visits

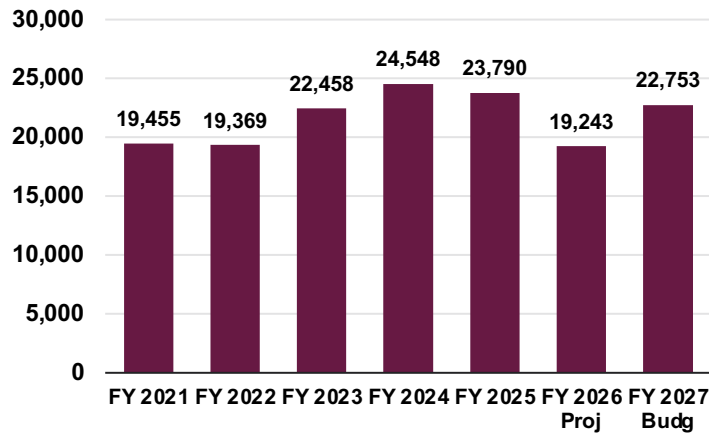
## RURAL HEALTH CLINIC VISITS



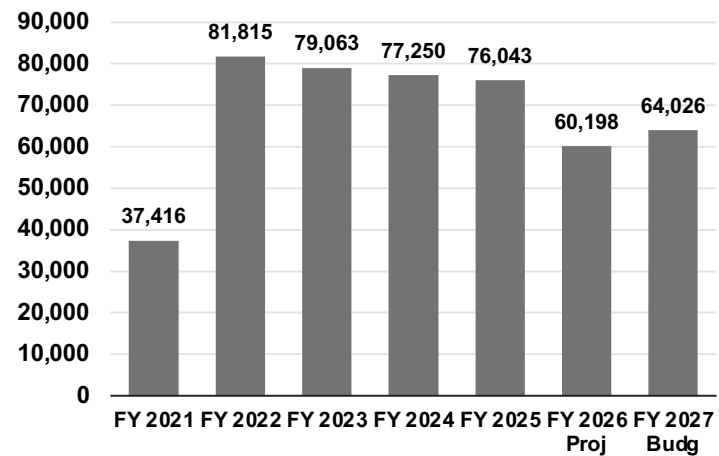
## EMERGENCY ROOM VISITS



## ONCOLOGY VISITS



## RADIOLOGY VOLUMES



El Centro Regional Medical Center  
Income Statement

FY 2027 Budget	Audited	Projected	Budget	2027 B vs 2025 A		2027 B vs 2026 P	
	FYE 2025	FYE 2026	FYE 2027	\$ change	% change	\$ change	% change
Adult Admissions	3,232	3,508	3,709	477	12.9%	201	5.4%
Adult Patient Days (excl. Observation)	16,189	17,538	18,546	2,357	12.7%	1,008	5.4%
Avg. Daily Census	44.4	48.0	50.8	6	12.7%	3	5.4%
Emergency Room Visits	33,935	35,428	35,222	1,287	3.7%	(206)	-0.6%
Radiology Volumes	76,043	60,198	64,026	(12,017)	-18.8%	3,828	6.0%
Total Clinic Visits (RHCs, ONC, WHC)	72,097	60,306	62,751	(9,346)	-14.9%	2,445	3.9%
Inpatient revenue	195,340	189,986	194,736	(604)	-0.3%	4,751	2.4%
Outpatient revenue	507,507	511,730	527,074	19,567	3.7%	15,344	2.9%
Gross Patient Revenue	702,847	701,715	721,810	18,963	2.6%	20,095	2.8%
Other revenue	4,358	4,673	4,393	35	0.8%	(279)	-6.4%
IP Contractuals	149,211	140,592	138,147	(11,064)	-8.0%	(2,445)	-1.8%
OP Contractuals	408,689	444,681	437,397	28,709	6.6%	(7,284)	-1.7%
Charity	1,611	922	1,627	16	1.0%	705	43.3%
Provision for bad debts	7,070	6,358	7,139	70	1.0%	781	10.9%
Other Third Party Programs	(37,163)	(29,912)	(32,640)	4,524	-13.9%	(2,728)	8.4%
M/Cal Disproportionate Share	(3,852)	(1,000)	(1,018)	2,834	-278.4%	(18)	1.7%
Deductions from Revenue	525,565	561,642	550,653	25,088	4.6%	(10,989)	-2.0%
<b>\$ thousands</b>							
Patient Revenue	\$ 181,641	\$ 144,747	\$ 175,551	\$ (6,090)	-3.5%	\$ 30,804	17.5%
Salaries and wages	56,567	57,261	58,979	2,412	4.1%	1,718	2.9%
Registry	394	743	500	106	21.2%	(243)	-48.6%
Benefits	21,247	23,675	21,305	58	0.3%	(2,370)	-11.1%
Subtotal: Labor	78,208	81,679	80,784	2,576	3.2%	(895)	-1.1%
% Revenue	43%	56%	46%				
Professional fees - medical	14,968	15,686	16,462	1,494	9.1%	776	4.7%
Professional fees - non-medical	2,610	3,157	3,363	753	22.4%	207	6.2%
Supplies - medical	29,119	30,078	32,395	3,276	10.1%	2,318	7.2%
Supplies - non-medical	1,849	1,851	1,944	95	4.9%	93	4.8%
Food	991	1,671	1,677	686	40.9%	7	0.4%
Repairs and Maintenance	7,923	7,723	7,535	(388)	-5.2%	(188)	-2.5%
Other fees	6,752	6,286	6,892	140	2.0%	606	8.8%
Lease and rental	504	243	561	57	10.2%	318	56.7%
Utilities	2,370	2,116	2,152	(217)	-10.1%	36	1.7%
Depreciation and amortization	8,504	6,139	8,335	(169)	-2.0%	2,196	26.3%
Insurance	2,067	1,660	1,622	(445)	-27.5%	(39)	-2.4%
Other	1,436	1,061	1,441	4	0.3%	379	26.3%
Operating Expense	157,302	159,349	165,163	7,861	4.8%	5,814	3.5%
Operating Margin/(Deficit)	\$ 24,339	\$ (14,602)	\$ 10,388	\$ (13,951)	-134.3%	\$ 24,990	240.6%
Other Income:							
Investment Income	675	470	-	(675)	0.0%	(470)	0.0%
Grant Revenue	1,063	17,200	-	(1,063)	0.0%	(17,200)	0.0%
Non Operating Revenue/(Expense)	4,015	289	-	(4,015)	0.0%	(289)	0.0%
Interest Expense	(7,314)	(7,034)	(7,244)	69	-1.0%	(211)	2.9%
Total Other Income	(1,561)	10,926	(7,244)	-5683		-5683	
(Deficit)/Excess Revenues Over Expenses	\$ 22,778	\$ (3,677)	\$ 3,143	\$ (19,634)	-624.6%	\$ 6,820	217.0%
(Deficit)/Excess Revenues Over Expenses %	12.5%	-2.5%	1.8%				
EBIDA	\$ 42,845	\$ 14,231	\$ 22,983	\$ (19,861)	-86.4%	\$ 8,753	38.1%
EBIDA %	23.6%	9.8%	13.1%				

## FY 2027 Budget Summary

- \$175M Revenue
- \$10.0M Operating Margin
- \$3.1M Net Profit
- \$22.9M EBIDA

## Operational Plan

- 3% Pay increase
- Manage controllable costs.
- Improve processes for efficiency and to eliminate waste
- Develop incremental business

## Objective

- Generate positive EBIDA (operating cash flow) for sustainable operations



# Projected Cash Flow for FY 2025 Budget

DHLP repayment starts in May 2027.

## Areas of Focus:

- Improve Operating cash flow
- Service line development
- Pay down outstanding payables
- Execute and implement capital projects timely and efficiently

## Statement of Cash Flows 2027 Budget - Final for Approval

	Projected FYE 2026	Budget FY 2027
\$ thousands		
<b>Net Income / (Loss)</b>	<b>\$ (3,677)</b>	<b>\$ 3,143</b>
Operating adjustments:		
Depreciation	6,139	8,335
Interest	7,034	7,244
Change in A/R	3,588	4,019
Change in A/P	621	-
Other - Estimate	4,735	4,261
<b>Cash Flow from Operations</b>	<b>\$ 18,440</b>	<b>\$ 27,002</b>
Bond Payment	(8,091)	(8,091)
Leases	(1,872)	(1,872)
Capital Expenditures		
Construction Project - Seismic / ASB	1.0	1.5
Cerner - operating cash, not capitalized	0.5	3.8
Maintenance - Misc	2.0	2.0
<b>Estimated Net Cash (Need)</b>	<b>\$ 8,480</b>	<b>\$ 17,047</b>

# Planned Capital Projects

(Subject to Available Funding)

---

## Estimated Investment: \$18.9 million

Seismic Compliance (NPC-4/4D/5 Retrofit) *	\$1.5	Projected to complete project early CY 2025
Omnicell Medication Management System *	\$1.5	Projected completion date – 12/2024
General Maintenance	\$2.0	General Maintenance includes AC replacements, Nurse Call system upgrade



**TO:** HOSPITAL BOARD MEMBERS  
**FROM:** David Momberg, Chief Financial Officer  
**DATE:** Jun 29, 2026  
**MEETING:** Board of Trustees

**SUBJECT:** 2025 Annual Financial Audit

**BUDGET IMPACT:**

- A. Does the action impact/affect financial resources?  
B. If yes, what is the impact amount: \_\_\_\_\_

Does not Apply  
 Yes  No

**BACKGROUND:**

Presentation of annual financial audit performed by Wipfli, Inc.

**DISCUSSION:** N/A

**RECOMMENDATION:** N/A

**ATTACHMENT(S):**

- Audit Presentation
- Final Audit

Approved for agenda, Chief Executive Officer

Date and Signature: \_\_\_\_\_

*Pablo Velazquez*

WIPFLI

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

El Centro, California

Financial Statements and  
Required Supplementary Information

Years Ended June 30, 2025 and 2024

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro, California**

Years Ended June 30, 2025 and 2024

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## **Independent Auditor's Report**

Board of Trustees  
El Centro Regional Medical Center  
An Enterprise Fund of the City of El Centro  
El Centro, California

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

#### ***Opinion***

We have audited the accompanying financial statements of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, as of and for the years ended June 30, 2025 and 2024, the Pension Trust Fund as of and for the year ended June 30, 2024 (collectively the "Medical Center"), and the related notes to the financial statements, which comprise the Medical Center's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, as of June 30, 2025 and 2024, the Pension Trust Fund as of June 30, 2024, and the respective changes in net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matters***

##### ***Financial Statement Presentation***

As discussed in Note 1, the financial statements present only the Medical Center and do not purport to, and do not present fairly the financial position of the City of El Centro as of June 30, 2025 and 2024 the changes in its financial position or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

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### *Substantial Doubt about the Medical Center's Ability to Continue as a Going Concern*

The accompanying financial statements have been prepared assuming that the Medical Center will continue as a going concern. As discussed in Note 17 to the financial statements, the Medical Center did not meet certain debt covenants resulting in an event of default, which raises substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion on the June 30, 2025, financial statements is not modified with respect to that matter.

### ***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 Medical Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of El Centro Regional Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about El Centro Regional Medical Center's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis on page 4, the Schedule of Changes in the Net Pension Liability and Related Ratios on page 63, the Schedule of Pension Contributions on page 66, and the Schedule of Investment Returns on page 68 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with the sufficient evidence an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2026, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of El Centro Regional Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

Spokane, Washington

June 2, 2026

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Management's Discussion and Analysis

Year Ended June 30, 2025

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The management of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, California (the "Medical Center") has prepared this discussion and analysis in order to provide an overview of the Medical Center's financial performance for the fiscal year ended June 30, 2025. The financial statements and accompanying Independent Auditor's Report are prepared in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements for State and Local Governments*, as amended. The intent of this management discussion and analysis is to provide more detailed information on the Medical Center's current year financial performance, give a historical perspective by comparing the current fiscal year to the prior fiscal year, and provide some perspective on the next fiscal year and beyond with respect to revenue growth, capital projects, and economic conditions in which the Medical Center operates. Readers can review the audited financial statements for the fiscal year ended June 30, 2025, and accompanying notes to the financial statements to enhance their understanding of the Medical Center's financial performance.

#### Financial Highlights of Fiscal Year 2025

- Total assets and deferred outflows of resources at June 30, 2025, were \$247.4 million, an increase of \$18.8 million, or 8.2%, from June 30, 2024.
- Current assets totaled \$55.0 million at June 30, 2025, an increase of \$6.5 million, or 13.4%; current liabilities increased by \$125.4 million, or 350.6%, from June 30, 2024. As a result, the current ratio decreased from 1.36 to 0.34 at June 30, 2025.
- The increase in total net position at June 30, 2025, was approximately \$18.2 million, or 309.9%.
- Total operating revenue was \$181.0 million for fiscal year 2025 compared to \$160.4 million for fiscal year 2024. This represents an increase of \$20.5 million, or 12.8%.
- Operating expenses, including depreciation, increased by approximately \$3.1 million, or 2.0%, in fiscal year 2025 compared to fiscal year 2024.
- Resulting change in net position for fiscal year 2025 increased by approximately \$10.0 million, or 122.2%, from fiscal year 2024.

#### Financial Highlights of Fiscal Year 2024

- Total assets and deferred outflows of resources at June 30, 2024, were \$228.6 million, an increase of \$30.8 million, or 15.6%, from June 30, 2023.
- Current assets totaled \$48.5 million at June 30, 2024, an increase of \$21.8 million, or 81.7%; current liabilities decreased by \$1.0 million, or 2.8%, from June 30, 2023. As a result, the current ratio increased from 0.73 to 1.36 at June 30, 2024.
- The increase in total net position at June 30, 2024, was approximately \$8.1 million, or 60.9%.
- Total operating revenue was \$160.4 million for fiscal year 2024 compared to \$147.5 million for fiscal year 2023. This represents a increase of \$13.1 million, or 8.9%.
- Operating expenses, including depreciation, increased by approximately \$21.0 million, or 12.0%, in fiscal year 2024 compared to fiscal year 2023.
- Resulting change in net position for fiscal year 2024 increased by approximately \$41.9 million, or 124.3%, from fiscal year 2023.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Management's Discussion and Analysis

*Year Ended June 30, 2025*

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#### **Overview of the Medical Center's Financial Statements**

The accompanying audited financial statements and notes to those statements reflect the Medical Center's financial position and results of its operations as of and for the fiscal year ended June 30, 2025. The financial statements of the Medical Center include the statements of net position, statements of revenue, expenses, and changes in net position, and the statements of cash flows.

- The statements of net position are prepared using an accrual basis of accounting and provide information on all of the Medical Center's assets and deferred outflows of resources and liabilities, deferred inflows of resources, and net position, classifying them as either current or noncurrent. It also provides a basis for evaluating the Medical Center's liquidity and identifies the assets utilized to fund debt service and capital projects and equipment.
- The statements of revenue, expenses, and changes in net position present the results of operations during the fiscal year and the resulting income before capital contributions.
- The statements of cash flows report the net change (sources and uses) in cash provided by operating activities, noncapital financing activities, capital and related financing activities, and investing activities.
- Statement of net position of pension trust fund - Plan is prepared using an accrual basis of accounting and provides information on the Plan trust fund assets and net position. It provides a basis for evaluating the fund assets utilized for the Plan.
- Statement of changes in net position of pension trust fund - Plan presents the results of additions by source and deductions by type.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Management's Discussion and Analysis

Year Ended June 30, 2025

### Overview of the Medical Center's Financial Statements (Continued)

#### Statements of Net Position at June 30:

	Condensed Statements of Net Position (In Thousands)			Change	
	2025	2024	2023	2025-2024	2024-2023
Assets:					
Current assets	\$ 54,964	\$ 48,487	\$ 26,680	\$ 6,477	\$ 21,807
Noncurrent cash investments, and settlements	32,022	17,518	14,393	14,504	3,125
Capital assets - Net	157,464	152,666	145,080	4,798	7,586
Other assets	54	78	261	(24)	(183)
Total assets	244,504	218,749	186,414	25,755	32,335
Deferred outflow of resources	2,851	9,809	11,302	(6,958)	(1,493)
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 247,355	\$ 228,558	\$ 197,716	\$ 18,797	\$ 30,842
Liabilities:					
Current liabilities	\$ 161,109	\$ 35,752	\$ 36,948	\$ 125,357	\$ (1,196)
Long-term debt, less current portion	21,070	143,035	120,140	(121,965)	22,895
Net pension liability	52,851	55,645	54,175	(2,794)	1,470
Total liabilities	235,030	234,432	211,263	598	23,169
Deferred inflows of resources	-	-	114	-	(114)
Net investment in capital assets	12,869	6,641	19,131	6,228	(12,490)
Restricted	13,853	13,787	13,570	66	217
Unrestricted	(14,397)	(26,302)	(46,362)	11,905	20,060
Total net position	12,325	(5,874)	(13,661)	18,199	7,787
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 247,355	\$ 228,558	\$ 197,716	\$ 18,797	\$ 30,842

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Management's Discussion and Analysis

Year Ended June 30, 2025

### Cash and Short-Term Investments

As of June 30, 2025, the Medical Center's cash, cash equivalents, and investments were \$23.9 million, a decrease of \$10.0 million from June 30, 2024. This includes \$0.3 million in restricted assets being held for funding of capital building projects. A breakdown is shown in the schedule below.

The Medical Center's days cash-on-hand ratio, which only takes into consideration cash and cash equivalents, short-term investments, and Board-designated assets, decreased from 49.8 days as of June 30, 2024, to 24.1 days as of June 30, 2025.

The following table summarizes the components of the Medical Center's cash and investments (in thousands) as of June 30:

	2025	2024	2023
Cash and cash equivalents	\$ 8,563	\$ 16,337	\$ 7,092
Short-term investments	52	53	52
Board-designated for capital projects and equipment - Cash	1,200	3,600	-
Restricted by trustee for debt service	13,853	13,787	13,570
Restricted assets held for capital projects and equipment	269	131	823
<b>Total cash and investments</b>	<b>\$ 23,937</b>	<b>\$ 33,908</b>	<b>\$ 21,537</b>

As of June 30, 2024, the Medical Center's cash and cash equivalents and investments were \$33.9 million, an increase of \$12.4 million from June 30, 2023. This includes \$0.1 million in restricted assets being held for funding of capital building projects.

The Medical Center's days of cash-on-hand ratio, which only takes into consideration cash and cash equivalents, short-term investments, and Board-designated assets, increased from 15.7 days as of June 30, 2023, to 49.8 days as of June 30, 2024.

### Patient Accounts Receivable

Patient accounts receivable - net increased by approximately \$12.5 million, or 63.6%, from the prior year. Net days in accounts receivable, which measures how many days of net patient revenue are being held in accounts receivable, increased from 48 to 66 days by the end of fiscal year 2025.

Patient accounts receivable - net increased by approximately \$6.3 million, or 47.0%, from 2023 to 2024. Net days in accounts receivable increased from 34 to 48 days by the end of fiscal year 2024.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Management's Discussion and Analysis

*Year Ended June 30, 2025*

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#### Capital Assets

As of June 30, 2025, capital assets - net increased by approximately \$4.8 million, or 3.1%, from the prior year.

Capital assets placed into service in fiscal year 2025 were \$74.6 million. This included approximately \$72.7 million for building upgrades, and \$1.8 million for equipment in 2025.

#### Equipment

- Approximately \$0.6 million was added related to new scope equipment.
- Approximately \$0.4 million was related to a new phone system.

#### Buildings and Construction-In-Progress

During fiscal year 2025, the Medical Center continued facility renovation projects, including continued work on the Ancillary Services Building, upgrades to the main hospital campus and architectural and design work on several building projects, which are critical to achieving state mandated compliance requirements. Some of the significant capital expenditures in fiscal year 2025 are as follows:

- Approximately \$13 million for the continued design and construction of the Ancillary Service Building, SPC-4D project, and other projects.

As of June 30, 2024, capital assets - net increased by approximately \$7.6 million, or 5.2%, from the prior year. Capital assets placed into service in fiscal year 2024 were \$5.9 million. This included approximately \$2.6 million for equipment and SBITAs, and \$0.7 million for building and construction projects in 2024. Some of the significant capital expenditures in fiscal year 2024 were as follows:

#### Equipment

- Approximately \$2 million was added related to a new lease for surgical equipment.
- Approximately \$0.5 million was expended for other equipment

#### Buildings and Construction-In-Progress

During the fiscal year 2024, the Medical Center continued facility renovation projects, including continued work on the Ancillary Services Building, upgrades to the main hospital campus, and architectural and design work on several building projects, which are critical to achieving state mandated compliance requirements. Some of the significant capital expenditures in fiscal year 2024 were as follows:

- Approximately \$12.3 million for the continued design and construction of the Ancillary Service Building, SPC-4D project, and other projects.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Management's Discussion and Analysis

*Year Ended June 30, 2025*

---

#### **Current Liabilities**

As previously indicated, current liabilities of the Medical Center increased during fiscal year 2025 by approximately \$125.4 million, or 350.6%. The increase is due to the Series 2018 bonds being classified as current due to debt covenant requirement violations. Additional information is included in the notes to the financial statements.

Current liabilities of the Medical Center decreased during fiscal year 2024 by approximately \$1.0 million, or 2.8%.

#### **Bonds, Notes, Financed Purchases, Leases Payable, and SBITAs - Less Current Maturities**

The Medical Center's bonds, notes, financed purchases, leases payable, and SBITAs decreased by approximately \$2.6 million during fiscal year-end 2025. This was primarily due to the Medical Center making principal payments on their obligations during the year.

Bonds, notes, financed purchases, leases payable, and SBITAs increased by approximately \$22.9 million during fiscal year-end 2024. This was primarily due to the Medical Center receiving a Distressed Hospital Loan from California Health Facilities Financing Authority (CHFFA) in the amount of \$28 million.

#### **Net Pension Liability**

The Medical Center records its net pension liability as calculated by its independent actuary. Per the actuarial calculation, the net pension liability was \$52.9 million at June 30, 2025, and \$55.6 million at June 30, 2024.

#### **Fiscal Year 2025 Investments and Financing**

The Medical Center anticipates the culmination of the Ancillary Services Building (ASB) project in the near future. This project will expand our dietary and nutrition services for patients, employees and visitors; it also will enhance Pharmacy department operation with its continuing growing logistics and distribution. Remaining bond funds were insufficient to meet all capital projects and our Medical Center took advantage of state loans under the Distressed Hospital Loan Program. Total funded amount was \$28 million with repayment beginning in the 18th month amortized over a seven (7) year period. The Medical Center received a one-year deferral to the start date of the repayment period. This loan enables the Medical Center to finish construction of the Ancillary Services Building, complete Seismic (SPC-4D) projects, complete new Electronic Medical Record System (Cerner), and invest in enhancing our medication management system (Omniceil).

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Management's Discussion and Analysis

Year Ended June 30, 2025

### Revenue, Expenses, and Changes in the Medical Center's Net Position

Condensed Statements of Revenue, Expenses, and Changes in Net Position for the Years Ended June 30:

#### Condensed Statements of Revenue, Expenses, and Changes in Net Position (In Thousands)

	2025	2024	2023	Change	
				2025-2024	2024-2023
Operating revenue:					
Net patient service revenue	\$ 176,608	\$ 150,616	\$ 143,491	\$ 25,992	\$ 7,125
Other	4,359	9,817	4,003	(5,458)	5,814
Total operating revenue	180,967	160,433	147,494	20,534	12,939
Operating expenses:					
Salaries and wages	62,586	59,838	63,098	2,748	(3,260)
Employee benefits	15,356	17,561	22,059	(2,205)	(4,498)
Professional fees and purchased services	24,416	25,652	35,162	(1,236)	(9,510)
Medical and nonmedical supplies	30,969	29,029	30,383	1,940	(1,354)
Depreciation and amortization	8,503	7,938	8,925	565	(987)
Other	15,584	14,344	16,321	1,240	(1,977)
Total operating expenses	157,414	154,362	175,948	3,052	(21,586)
Operating income	23,553	6,071	(28,454)	17,482	34,525
Nonoperating revenue (expenses) - Net	(5,354)	2,116	(5,282)	(7,470)	7,398
Change in net position	18,199	8,187	(33,736)	10,012	41,923
Net position - Beginning	(5,874)	(14,061)	20,075	8,187	(34,136)
Net position - End	\$ 12,325	\$ (5,874)	\$ (13,661)	\$ 18,199	\$ 7,787

The effect of the implementation of GASB 101 - *Compensated Absences* has not been retroactively applied to the year ended June 30, 2023.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Management's Discussion and Analysis

Year Ended June 30, 2025

### Acute Care Inpatient Statistics by Specialty

<i>Admissions</i>	2025	2024	2023	2025-2024 % Change	2024-2023 % Change
Critical Care (ICU)	252	328	347	(23.2)%	(5.5)%
Women's Health Services (OB)	-	-	476	- %	(100.0)%
Medical/Surgical Services	2,980	2,750	2,798	8.4 %	(1.7)%
<b>Total acute admissions</b>	<b>3,232</b>	<b>3,078</b>	<b>3,621</b>	<b>5.0 %</b>	<b>(15.0)%</b>

<i>Patient Days</i>	2025	2024	2023	2025-2024 % Change	2024-2023 % Change
Critical Care (ICU)	1,068	1,358	1,741	(21.4)%	(22.0)%
Women's Health Services (OB)	-	-	993	- %	(100.0)%
Medical/Surgical Services	15,161	15,083	15,208	0.5 %	(0.8)%
<b>Total acute patient days</b>	<b>16,229</b>	<b>16,441</b>	<b>17,942</b>	<b>(1.3)%</b>	<b>(8.4)%</b>

<i>Average Length of Stay</i>	2025	2024	2023	2025-2024 % Change	2024-2023 % Change
Critical Care (ICU)	4.24	4.14	5.02	2.4 %	(17.5)%
Women's Health Services (OB)	-	-	2.09	- %	(100.0)%
Medical/Surgical Services	5.09	5.48	5.44	(7.1)%	0.7 %
<b>Average acute length of stay</b>	<b>5.02</b>	<b>5.34</b>	<b>4.95</b>	<b>(6.0)%</b>	<b>7.9 %</b>

Fiscal year 2025 acute care admissions increased from fiscal year 2024 by 5.0%. Total acute patient days decreased by 1.3%, and the corresponding average length of stay decreased by 6.0%.

Fiscal year 2024 acute care admissions decreased from fiscal year 2023 by 15.0%. Total acute patient days decreased by 8.4%, and the corresponding average length of stay increased 7.9%.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Management's Discussion and Analysis

Year Ended June 30, 2025

### Outpatient Statistics

	2025	2024	2023	2025-2024 % Change	2024-2023 % Change
Emergency room visits	33,935	33,877	35,685	0.2 %	(5.1)%
Outpatient referred visits	92,875	86,273	94,857	7.7 %	(9.0)%
Outpatient (rural health) clinic visits	72,097	82,426	85,868	(12.5)%	(4.0)%
Other statistics:					
Surgeries	5,139	5,592	6,256	(8.1)%	(10.6)%
Deliveries	-	-	433	- %	(100.0)%
Lab tests	454,664	598,383	600,829	(24.0)%	(0.4)%
Imaging procedures	87,114	95,279	97,545	(8.6)%	(2.3)%

As presented in the above schedule, emergency room visits increased for the Medical Center in fiscal year 2025 compared to prior year. Outpatient referred visits to the hospital (mostly lab and imaging tests and studies) and outpatient clinic visits increased by 7.7% and decreased by 12.5%, respectively, from fiscal year 2024 to fiscal year 2025.

Emergency room visits decreased for the Medical Center in fiscal year 2024. In addition, outpatient referred visits to the hospital (mostly lab and imaging tests and studies) and outpatient clinic visits decreased by 9.0% and 4.0%, respectively, from fiscal year 2023 to fiscal year 2024, respectively.

### Gross Patient Revenue

In fiscal year 2025, the Medical Center's inpatient days decreased. Inpatient ancillary revenue increased, primarily in the pharmacy and emergency room departments, resulting in a gross inpatient revenue increase of approximately \$8.7 million, or 4.7%, in fiscal year 2025 compared to prior year. Additionally, the Medical Center experienced a decrease of \$15.1 million, or 2.9%, in outpatient revenue. The net effect resulted in an overall gross revenue decrease of \$6.4 million, or 0.9%, in fiscal year 2025 compared to prior year.

In fiscal year 2024, the Medical Center's inpatient days decreased. The decrease in inpatient days resulted in a decrease in gross inpatient revenue of approximately \$14.3 million, or 7.2%, in fiscal year 2024 compared to prior year. Additionally, the Medical Center experienced an increase of \$0.6 million, or 0.1%, in outpatient revenue. The net effect of the volume changes resulted in an overall gross revenue decrease of \$13.7 million, or 1.9%, in fiscal year 2024 compared to prior year.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Management's Discussion and Analysis

*Year Ended June 30, 2025*

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### Deductions from Revenue

Contractual allowances are computed deductions based on the difference between gross charges and the contractually agreed-upon rates with our payers, including government programs such as Medicare, Medi-Cal, and other private and commercial insurers.

In addition, the Medical Center carries a provision for bad debts, including charity care, which further reduces its gross revenue. The Medical Center calculates its provision for bad debts and charity care based on historical write-offs and information provided by its third-party collection agencies. Please see the charity care note in the notes to the financial statements.

Total deductions from revenue, including provision for bad debts (as a percentage of gross patient charges), were 74.8% in fiscal year 2025 and 78.7% in fiscal year 2024. The reduction in 2025 was partially due to increased IGT and supplemental payment activity in 2025.

### Net Patient Service Revenue

Net patient service revenue is the resulting difference between gross patient charges and the deductions from revenue. Net patient service revenue increased by \$26.0 million, or 17.3%, from fiscal year 2024 to 2025.

Net patient service revenue increased by \$7.1 million, or 5.0% from fiscal year 2023 to 2024.

### Operating Expenses

#### Year ended June 30, 2025

Total operating expenses, which include depreciation, were \$157.4 million in fiscal year 2025 compared to \$154.4 million in fiscal year 2024, a increase of 2.0%. Increases in supplies and repairs and maintenance expense represent the majority of the change from the prior year. Discussions on these expense categories follow below and are further illustrated by two charts comparing the fluctuations in each operating expense category for fiscal years 2025 and 2024.

#### Supplies

Supplies increased by \$1.9 million, or 6.7%, from the fiscal year 2024 primarily due to increased purchases of pharmacy medications sold to patients.

#### Repairs and Maintenance

Repairs and maintenance increased by \$1.6 million, or 25.0%, from fiscal year 2024. Key contributors included increased expense on the air conditioning systems throughout the facilities.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Management's Discussion and Analysis

Year Ended June 30, 2025

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### Operating Expenses (Continued)

#### Year ended June 30, 2024

Total operating expenses, which include depreciation, were \$154.4 million in fiscal year 2024 compared to \$175.5 million in fiscal year 2023, a decrease of 12.0%. Decreases in salaries and wages, benefits, and purchased services expense represent the majority of the change from the prior year. Discussions on these expense categories follow below and are further illustrated by two charts comparing the fluctuations in each operating expense category for fiscal years 2024 and 2023.

#### Salaries and Wages

Salaries and wages decreased by \$1.9 million, or 6.7%, from the fiscal year 2023 primarily due to reductions in full-time-equivalents as part of the Medical Center's cost savings initiatives.

#### Employee Benefits

Employee benefits expense decreased by \$1.6 million, or 25.0%, from fiscal year 2023. Key contributors included decreased full-time-equivalents, decreased health insurance expense, and adjustments related to the net pension liability actuarial valuation.

#### Purchased Services

Purchased services decreased by \$8.0 million, or 52.0%, from fiscal year 2023, primarily due to decreases in registry. Registry decreased by \$7.1 million, or 95.1%, from fiscal year 2023. The decrease in registry was due to decreased utilization of medical surgical room registry nurses in 2024.

# El Centro Regional Medical Center

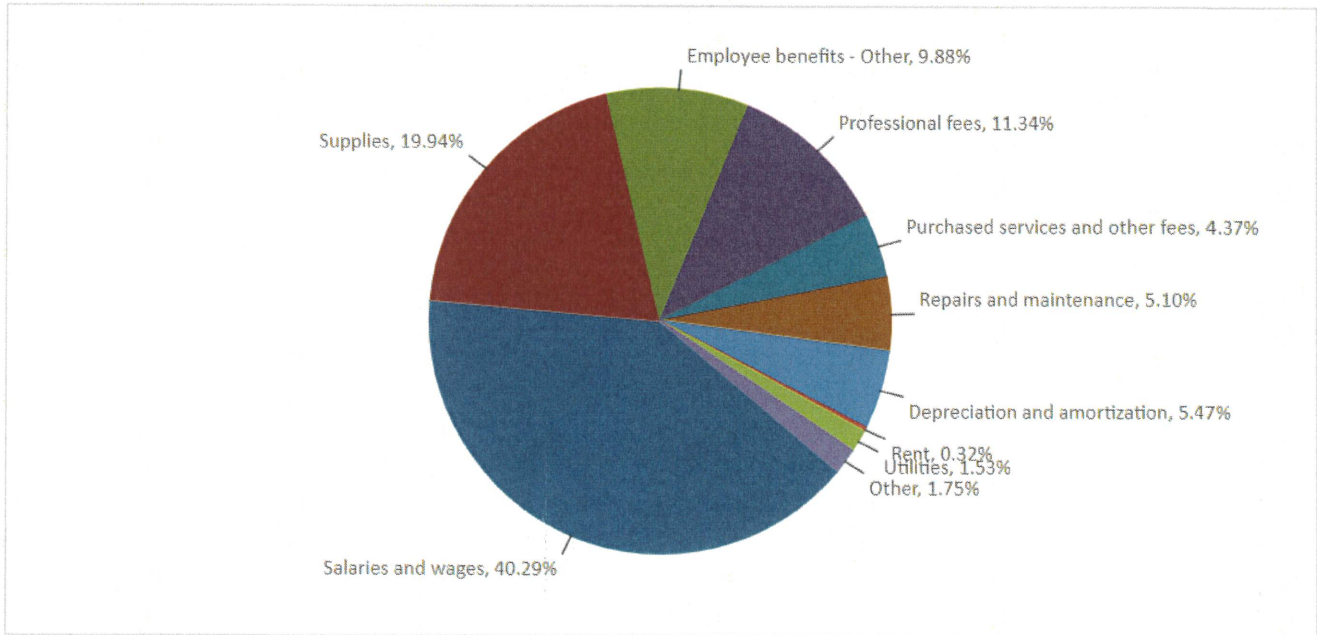
## An Enterprise Fund of the City of El Centro

### Management's Discussion and Analysis

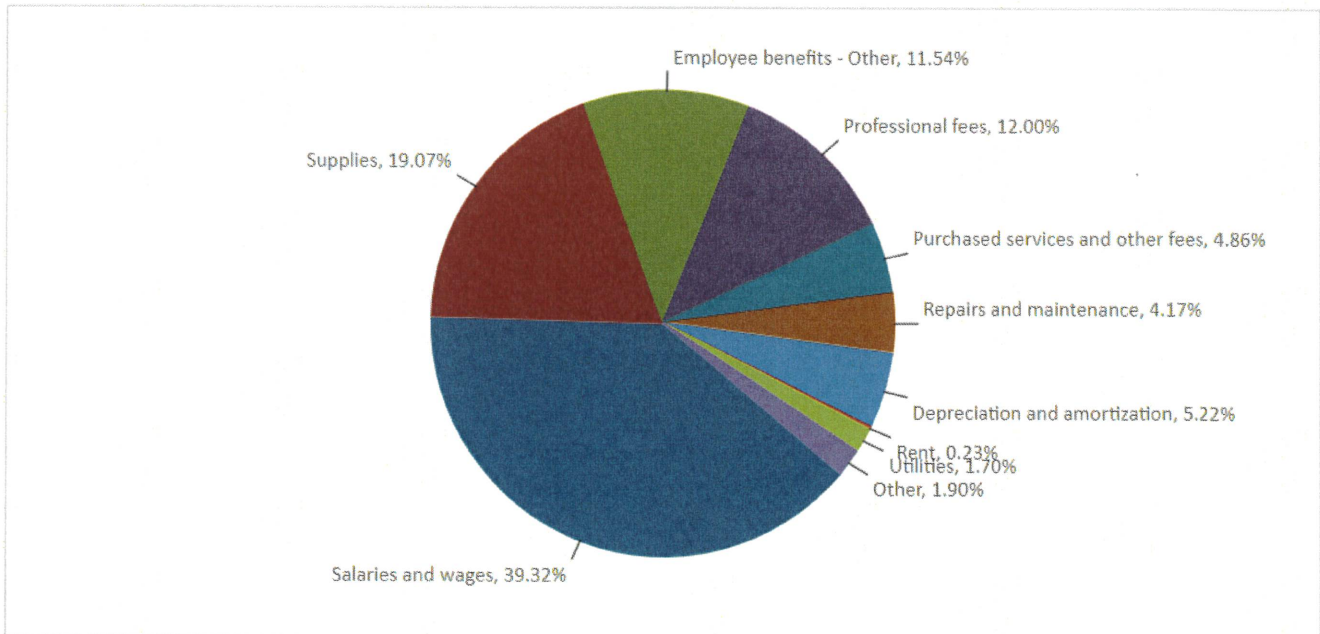
Year Ended June 30, 2025

#### Operating Expenses (Continued)

Fiscal Year 2025



Fiscal Year 2024



# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Management's Discussion and Analysis

*Year Ended June 30, 2025*

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#### **Economic Factors for Fiscal Year 2025 Budget and Beyond**

As expected, the Medical Center has spent significant capital expenditures on building projects during the fiscal year 2025. These projects will expand and improve services, while also meeting the seismic regulatory requirements mandated by the State of California.

The Medical Center entered into and agreed to a sale and transfer of all assets and liabilities to Imperial Valley Healthcare District (IVHD) in June 2025, under state legislated mandated CA ST Bill AB 918. The sale and transfer is anticipated to be completed during the year ending June 30, 2027.

During this fiscal year 2025, the healthcare industry has continued to experience rising costs of operations and increasing regulatory mandates, which contribute to additional uncompensated costs, affecting the Medical Center's liquidity. For this reason, the management team intensified efforts to reduce our cost of operation across the Medical Center's inpatient and outpatient settings by restructuring our operations to reverse any negative economic results. These efforts have contributed to an operating income increase of \$18.2 million in 2025, and our management is confident that the Medical Center will continue to successfully meet such healthcare challenges going forward by implementing drastic measures hospital-wide. See Note 17: Operating Environment for additional information on the Medical Center's initiatives to improve the financial health of the Medical center. In addition, see Note 2: Reimbursement Arrangements with Third Party Payors for additional information on significant increases in revenue recognized related to governmental supplemental programs.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Statements of Net Position

<i>June 30,</i>	2025	2024
Current assets:		
Cash and cash equivalents	\$ 8,562,995	\$ 16,337,089
Short-term investments	52,592	52,592
Receivables:		
Patient accounts - Net	32,171,869	19,670,109
Other	278,924	229,085
Due from third-party payor settlements	9,275,576	8,025,589
Inventories	2,921,478	2,768,161
Prepaid expenses and other	1,700,145	1,404,711
Total current assets	54,963,579	48,487,336
Noncurrent cash, investments, and settlements::		
Board-designated for capital projects and equipment - Cash	1,200,000	3,600,000
Restricted by trustee for debt service	13,852,911	13,787,264
Restricted assets held for capital projects and equipment	268,561	130,767
Due from third party payor settlements, net of current portion	16,701,210	-
Total noncurrent cash, investments, and settlements	32,022,682	17,518,031
Capital assets:		
Nondepreciable capital assets	21,095,798	82,437,463
Depreciable capital assets - Net	136,368,647	70,228,837
Capital assets - Net	157,464,445	152,666,300
Other assets	53,886	77,477
Deferred outflows of resources - Pension	2,850,600	9,808,900
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 247,355,192</b>	<b>\$ 228,558,044</b>

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Statements of Net Position (Continued)**

<i>June 30,</i>	2025	2024
<b>Current liabilities:</b>		
Current maturities of bonds, notes, and financed purchases payable	\$ 121,905,995	\$ 1,860,911
Current maturities of leases payable	1,825,008	2,379,351
Current maturities of subscription-based liabilities	126,252	225,962
Accounts payable and accrued expenses	25,559,130	20,452,370
Accrued compensation and benefits	11,691,730	10,832,970
<b>Total current liabilities</b>	<b>161,108,115</b>	<b>35,751,564</b>
<b>Long-term liabilities:</b>		
Bonds, notes, and financed purchases payable - Less current maturities	16,695,736	136,735,873
Leases payable - Less current maturities	4,374,277	6,164,735
Subscription-based liabilities - Less current maturities	-	133,171
Net pension liability	52,851,200	55,644,700
<b>Total long-term liabilities</b>	<b>73,921,213</b>	<b>198,678,479</b>
<b>Total liabilities</b>	<b>235,029,328</b>	<b>234,430,043</b>
<b>Net position:</b>		
Net invested in capital assets	12,869,461	6,641,369
Restricted	13,852,911	13,787,264
Unrestricted	(14,396,508)	(26,300,632)
<b>Total net position</b>	<b>12,325,864</b>	<b>(5,871,999)</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 247,355,192</b>	<b>\$ 228,558,044</b>

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Statements of Revenue, Expenses, and Changes in Net Position

<i>Years Ended June 30,</i>	2025	2024
<b>Revenue:</b>		
Net patient service revenue	\$ 176,607,733	\$ 150,616,451
Other revenue	4,358,487	9,817,032
<b>Total revenue</b>	<b>180,966,220</b>	<b>160,433,483</b>
<b>Expenses:</b>		
Salaries and wages	62,586,497	59,838,485
Employee benefits - Pension contributions	1,039,519	4,030,465
Employee benefits - Portion of pension expense related to changes in pension-related statements of net position accounts (GASB 68)	4,164,800	2,849,700
Employee benefits - Other	10,151,651	10,681,161
Professional fees	17,619,132	18,256,662
Purchased services and other fees	6,796,439	7,394,951
Supplies	30,968,639	29,028,668
Repairs and maintenance	7,929,872	6,345,084
Depreciation and amortization	8,503,915	7,937,382
Rent	503,712	354,797
Utilities	2,369,559	2,584,126
Other	2,713,723	2,898,473
Insurance	2,066,872	2,160,115
<b>Total expenses</b>	<b>157,414,330</b>	<b>154,360,069</b>
<b>Gain from operations</b>	<b>23,551,890</b>	<b>6,073,414</b>
<b>Nonoperating revenue (expenses):</b>		
Investment income	674,699	1,108,398
Interest expense	(8,427,885)	(8,091,512)
Grants and contributions	2,333,935	8,857,444
Other	65,224	241,598
<b>Total nonoperating revenue (expenses) - Net</b>	<b>(5,354,027)</b>	<b>2,115,928</b>
Excess of revenues over expenses, change in net position	18,197,863	8,189,342
Net position at beginning	(5,871,999)	(14,061,341)
<b>Net position at end</b>	<b>\$ 12,325,864</b>	<b>\$ (5,871,999)</b>

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2025	2024
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 146,154,776	\$ 133,751,892
Receipts from other operating revenue	4,308,648	9,722,060
Payments for salaries, wages, and related benefits	(72,918,907)	(72,655,767)
Payments for other operating expenses	(65,161,364)	(69,101,179)
Net cash provided by operating activities	12,383,153	1,717,006
Cash flows from noncapital financing activities:		
Grants and contributions	3,448,016	5,353,667
Other	88,815	410,716
Net cash provided by noncapital financing activities	3,536,831	5,764,383
Cash flows from capital and related financing activities:		
Interest payments on bonds, notes, and financed purchases	(7,892,500)	(6,834,763)
Interest payments on leases and SBITAs	(314,506)	(384,610)
Principal payments on bonds, notes, and financed purchases	(1,359,170)	(1,195,533)
Principal payments on leases and SBITAs	(2,818,250)	(3,267,182)
Proceeds from debt issuance	-	28,000,000
Proceeds from sale of property and equipment	-	16,000
Purchase of capital assets	(14,180,910)	(12,552,824)
Net cash provided by (used in) capital and related financing activities	(26,565,336)	3,781,088
Cash flows from investing activities:		
Interest and dividends on investments	674,699	1,108,398
Purchase of investments	(14,640,728)	(13,071,652)
Proceeds from sales and maturities of investments	14,437,287	13,545,641
Net cash provided by investing activities	471,258	1,582,387
Net increase (decrease) in cash and cash equivalents	(10,174,094)	12,844,864
Cash and cash equivalents at beginning	19,937,089	7,092,225
Cash and cash equivalents at end	\$ 9,762,995	\$ 19,937,089

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Statements of Cash Flows (Continued)**

<i>Years Ended June 30,</i>	2025	2024
Reconciliation of gain from operations to net cash provided by operating activities:		
Gain from operations	\$ 23,551,890	\$ 6,073,414
Adjustments to reconcile gain from operations to net cash provided by operating activities:		
Depreciation and amortization	8,503,915	7,937,382
Provision for bad debts	7,069,667	5,350,611
Changes in assets and liabilities:		
Receivables:		
Patient accounts	(19,571,427)	(11,638,038)
Other	(49,839)	(94,972)
Inventories	(153,317)	(13,582)
Prepaid expenses and other	(295,434)	939,601
Due from third-party payor settlements	(17,951,197)	(10,577,132)
Accounts payable and accrued expenses	6,255,335	(1,004,322)
Accrued compensation and benefits	858,760	1,894,344
Net pension liability	(2,793,500)	1,470,100
Change in deferred outflows of resources - Pension	6,958,300	1,493,400
Change in deferred inflows of resources - Pension	-	(113,800)
Total adjustments	(11,168,737)	(4,356,408)
Net cash provided by operating activities	\$ 12,383,153	\$ 1,717,006
<b>Summary of noncash financing and investing activities:</b>		
Property and equipment acquired under lease obligations and financed purchases	\$ 240,568	\$ 3,019,424
Accrued interest included in accounts payable	3,374,631	3,403,543
Capital asset additions included in accounts payable	1,136,277	2,255,695
Amortization of bond and note discounts	1,364,117	899,815
Acquisition of assets under subscription-based information technology arrangements	-	101,503
<b>Reconciliation of cash to the statements of net position:</b>		
Cash and cash equivalents	\$ 8,562,995	\$ 16,337,089
Board-designated cash held for capital projects and equipment	1,200,000	3,600,000
Total cash and cash equivalents	\$ 9,762,995	\$ 19,937,089

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Statement of Net Position of Pension Trust Fund - Plan

June 30, 2024

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<i>Assets</i>	
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Assets:	
Cash and cash equivalents	\$ 3,094,800
Contributions receivable (in transit)	-
Accrued interest	72,113
Investments:	
U.S. treasury notes	3,887,354
Government agency notes	5,586,629
Fixed income mutual funds	8,780,493
Convertible bonds	8,766,539
Common stocks and ADRs	23,391,182
Exchange traded funds	156,978
Limited partnerships and hedge funds - International	35,049,112
<hr/>	
Total investments	85,618,287
<hr/>	
TOTAL ASSETS	\$ 88,785,200
<hr/>	
<i>Liabilities and Net Position</i>	
<hr/>	
Net position held in trust for pension benefits	\$ 88,785,200
<hr/>	
TOTAL LIABILITIES AND NET POSITION	\$ 88,785,200
<hr/>	

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Statement of Changes in Net Position of Pension Trust Fund - Plan

Year Ended June 30, 2024

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Additions:

Contributions by Medical Center	\$ 4,000,000
Contributions by participants	1,101,300
Net investment income	9,706,500

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Total additions	14,807,800
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Deductions:

Benefit payments, including return of participants' contributions	8,287,700
Administrative expenses	56,100

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Total deductions	8,343,800
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Change in net position	6,464,000
Net position at beginning	82,321,200

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Net position at end	\$ 88,785,200
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# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro, California

### Notes to Financial Statements

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#### **Note 1: Summary of Significant Accounting Policies**

##### **Reporting Entity**

El Centro Regional Medical Center (the "Medical Center") is an agency of the City of El Centro, California ("the City"), organized and existing under the State of California Municipal law as set forth in the Community Code of the State of California. The Medical Center is governed by a separately appointed Board of Trustees. The Medical Center is an enterprise fund of the City. The accompanying financial statements do not include any other funds of the City and are not intended to present the financial position of the City.

The Medical Center is not generally subject to state and federal income taxes. The Medical Center provides health services to individuals who reside primarily in the local geographic area.

##### Pension Trust Fund

Eligible employees participate in a defined benefit pension plan (the "Retirement Plan"), a fiduciary component unit sponsored and administered by the Medical Center (Note 13). The Medical Center is obligated to fund Retirement Plan costs not funded by the Pension Trust Fund participants based upon actuarial valuations, which creates a financial burden on the Medical Center. The Medical Center is authorized to approve the actuarial assumptions used in determination of contribution levels, which results in the Pension Trust Fund being fiscally dependent on the Medical Center. The Pension Trust Fund does not issue a separate report and is included in the Medical Center's reporting as a fiduciary component unit because of the significance of its operational and functional relationship with the Medical Center.

##### **Basis of Accounting and Financial Statement Presentation**

The Medical Center's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

##### **Use of Estimates in Preparation of Financial Statements**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include cash checking, savings, time deposit accounts, and investments in highly liquid debt instruments with an original maturity of three months or less, excluding assets whose use is limited or restricted.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Noncurrent Cash and Investments

Noncurrent cash and investments includes investments held by trustees under bond indentures, amounts restricted for capital projects and equipment, and board-designated cash for capital projects and equipment. The Board of Trustees retains control over board-designated cash and may, at its discretion, use it for other purposes.

#### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimizes the use of unobservable inputs.

#### Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Medical Center bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for co-pay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Medical Center does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for doubtful accounts, which reflects management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable. In addition, management provides for probable uncollectible amounts, primarily for uninsured patients and amounts patients are personally responsible for, through a reduction of gross revenue and a credit to the allowance for doubtful accounts.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 1: Summary of Significant Accounting Policies (Continued)**

##### **Patient Accounts Receivable and Credit Policy (Continued)**

In evaluating the collectability of patient accounts receivable, the Medical Center analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

##### **Inventories**

Inventories are reported at cost, determined on the first-in, first-out (FIFO) method, which is not in excess of market value.

##### **Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded within the accompanying statements of financial position in prepaid expenses and other.

##### **Capital Assets and Depreciation**

Capital asset acquisitions are recorded at cost or, if donated, at acquisition value at the date of donation. Routine maintenance and repairs are charged to expense as incurred. Expenditures which increase values, change capacities, or extend useful lives are capitalized. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Intangible right-to-use lease and subscription assets are amortized on the straight-line method over the shorter period of the term of the agreement or the estimated useful life of the asset. Such amortization is included with depreciation expense in the accompanying financial statements. Estimated useful lives range from 5 to 40 years for buildings and improvements and from 3 to 15 years for equipment and leasehold improvements.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### Note 1: Summary of Significant Accounting Policies (Continued)

##### Asset Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset might have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent on the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenue, expenses, and changes in net position. No impairment loss was recorded for the years ended June 30, 2025 and 2024.

##### Bonds Payable

Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable is reported net of the applicable premium or discount.

##### Lease Accounting

The Medical Center is a lessee in multiple noncancelable leases. If the contract provides the Medical Center the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Medical Center's incremental borrowing rate. This rate is used to calculate the present value of future lease payments. This rate is an alternative investment rate for other than short-term investments and is materially the same as the rate the District might incur from an external lender.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 1: Summary of Significant Accounting Policies (Continued)**

##### **Lease Accounting (Continued)**

For all underlying classes of assets, the Medical Center does not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Medical Center is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Medical Center recognizes short-term leases with lease costs included in short-term lease expense. The Medical Center recognizes short-term lease cost on a straightline basis over the lease term.

##### **Subscription Based Information Technology Arrangements**

The Medical Center is a party to multiple noncancelable subscription based information technology arrangements (SBITAs). If the contract provides the Medical Center the right to use the present service capacity and the right to direct the use of the identified asset, it is considered to be or contain a SBITA. Subscription-based assets and liabilities are recognized at the agreement commencement date based on the present value of the future payments over the expected contract term. The SBITA asset is also adjusted for any prepayments made and capitalizable initial implementation costs as incurred.

The SBITA liability is initially and subsequently recognized based on the present value of its future payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable payments due to subsequent changes in an index or rate are recorded as an adjustment to expense in the period in which they are incurred.

The discount rate used is the implicit rate in the SBITA contract, if it is readily determinable, or the Medical Center's incremental borrowing rate.

For all underlying classes of assets, the Medical Center does not recognize SBITA assets and liabilities for short-term agreements that have a contract term of 12 months or less at contract commencement. Contracts containing termination clauses in which either party may terminate without cause and the notice period is less than 12 months are deemed short-term agreements with costs included in expense.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 1: Summary of Significant Accounting Policies (Continued)**

##### **Medical Benefits Self-Insurance**

The Medical Center self-insures against medical costs for eligible employees and their dependents. The Medical Center has purchased supplemental coverage for losses in excess of \$175,000 per incident and includes aggregate coverage based on enrollment numbers and factors each month. The related liability is reported in accrued compensation and benefits on the accompanying statements of net position.

The Medical Center's accrued self-insured medical costs also includes an estimate of possible losses attributable to incidents that may have occurred but not been identified. Historically, the actual liabilities incurred have not been materially different than the recorded estimates.

##### **Worker's Compensation Self-Insurance**

The Medical Center self-insures against workers' compensation losses. The Medical Center has purchased supplemental coverage for losses in excess of \$1,000,000 per incident. Losses from asserted and unasserted claims identified under the Medical Center's incident reporting system are accrued based on estimates that incorporate the Medical Center's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. The related liability is reported in accrued compensation and benefits on the accompanying statements of net position. Historically, the actual losses incurred have not been materially different than the recorded estimates.

##### **Medical Malpractice Insurance**

The Medical Center maintains medical malpractice insurance on a claims-made basis. The policy provides for a per claim deductible of \$5,000, with per occurrence coverage of \$26,000,000 and aggregate annual coverage limits of \$30,000,000. Management has accrued an estimated liability for claims incurred prior to June 30, 2025, that are expected to be subsequently reported to the insurance company. The related liability is reported in accounts payable and accrued expenses on the accompanying statements of net position.

##### **Accrued Compensated Absences**

The Medical Center's employees earn vacation days at varying rates depending on years of service. Employees may accumulate vacation days up to a specific maximum. Vacation expenses and the related liabilities are recognized as the benefits are earned. The amount of vacation payable is approximately \$3,446,000 and \$3,524,000 at June 30, 2025 and 2024, respectively, and is included in accrued compensation and benefits on the statements of net position.

Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specific maximum. Employees are not paid for accumulated sick leave if they leave before retirement.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Retirement Plan

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the El Centro Regional Medical Center Retirement Income Plan (the "Retirement Plan") and additions to and deductions from the Retirement Plan's fiduciary net position have been determined on the same basis as they are reported by the Retirement Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Medical Center reports deferred outflows of resources related to pensions for its deferred outflow of resources of the Retirement Plan.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Medical Center reports deferred inflows of resources related to pensions for its deferred inflows of resources of the Retirement Plan. The Medical Center reported no deferred inflows of resources as of June 30, 2025 or 2024.

#### Net Position

Net position of the Medical Center is classified in three components. Net invested in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center. Unrestricted net position is the remaining net position that does not meet the definitions above. When both restricted and unrestricted resources are available for use, it is the Medical Center's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, governmental programs, health maintenance, and preferred provider organizations and insurance contracts under applicable laws, regulations, and program instructions. Net realizable amounts are generally less than the Medical Center's established rates. Final determination of certain amounts payable is subject to audit by appropriate third-party representatives. Subsequent adjustments, if any, arising from such audits are recorded in the year the final settlement becomes known.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 1: Summary of Significant Accounting Policies (Continued)**

##### **Operating Revenue and Expenses**

The Medical Center's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue, such as patient service revenue, result from exchange transactions associated with providing health care services, the Medical Center's primary business. Nonexchange revenue, such as revenues from investments and contributions for other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

##### **Grants and Contributions**

The Medical Center receives grants as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or capital purposes. Amounts that are unrestricted or are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue (expenses).

##### **Statement of Revenue, Expenses, and Changes in Net Position**

All revenue and expenses directly related to the delivery of health care services are included in operating revenue and expenses in the statements of revenue, expenses, and changes in net position. Nonoperating revenue and expenses consist of those revenue and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income.

##### **New Accounting Pronouncements**

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. This Statement did not have a material impact on the Medical Center as of June 30, 2025.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

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### Note 2: Reimbursement Arrangements With Third-Party Payors

The Medical Center has arrangements with third-party payors that provide payments to the Medical Center at amounts different from its established rates. A summary of the basis of reimbursement with major third-party payor categories follows:

*Medicare* - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare reimburses the Medical Center for covered outpatient services rendered to Medicare beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year examination is substantially completed.

*Medi-Cal* - Inpatient services rendered to Medi-Cal program beneficiaries are paid under a diagnostic related group (DRG) methodology. Under this methodology, services are paid at prospectively determined rates per discharge according to a patient classification system that is based on clinical, diagnostic, and other factors.

*Commercial Insurance, Health Maintenance Organizations, and Preferred Provider Organizations* - The Medical Center has also entered into agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

*Other* - The Medical Center also provides its services to patients enrolled in programs of commercial insurance carriers, health maintenance organizations, and preferred provider organizations under which the Medical Center does not have agreements. The Medical Center recognizes revenue for these patients based on its usual customary rates for these services, adjusted for historical trends in the Medical Center's reimbursement for similar services.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 2: Reimbursement Arrangements With Third-Party Payors** (Continued)

##### **Accounting for Contractual Arrangements**

The Medical Center is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit of the Medical Center's related annual cost reports by the respective Medicare and Medi-Cal fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying financial statements.

##### **Laws and Regulations**

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 necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Medical Center is in substantial compliance with applicable government laws and regulations. While no significant regulatory inquiries have been made of the Medical Center, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Centers for Medicare and Medicaid (CMS) uses recovery audit contractors (RAC) as part of CMS's efforts to ensure accurate payments. RACs search for potentially inaccurate Medicare payments that might have been made to health care providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The provider may either accept or appeal the RAC's findings. As of June 30, 2025, management is not aware of any current RAC reviews that would result in significant reimbursement adjustments.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

#### Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

##### Revenue from Governmental Programs

The Medical Center participates in several supplemental payment programs designed to provide reimbursement for services rendered to Medi-Cal, Medi-Cal Managed Care, and other eligible patient populations. These programs may include, but are not limited to, access payments, directed payments, quality incentive programs and other supplemental arrangements.

Participation in these programs is generally subject to annual appropriations, state plan approvals, and provider eligibility requirements. The Medical Center recognizes revenue from supplemental payment programs in the period in which the underlying services or activities giving rise to the payments are provided, and when the amount is estimable based on information provided by the programs. Specifically, the Medical Center considers estimated payments under supplemental programs to be earned in the fiscal years where program-related patient services are provided, quality metrics are met, and operating expenses are incurred, as applicable to the programs.

Estimated amounts earned but not received by year end are included in due from third party payor settlements in the accompanying statements of net position. Amounts anticipated to be received during the year ending June 30, 2027 are reported as noncurrent assets.

Certain programs require participants to deposit significant cash amounts into the program (intergovernmental transfers, or IGTs) prior to receipt of funding. Estimated IGT payments to be made related to receivables recognized at June 30, 2025 are \$5.5 million during the year ending June 30, 2026 and \$13.5 million during the year ending June 30, 2027. If the Medical Center does not make the IGT deposits as planned it would have a material negative effect on the financial statements.

Revenue recognized from these programs, net of amounts anticipated to be paid into the programs through IGTs, are included in contractual adjustments within net patient service revenue and were as follows for the years ended June 30:

	2025	2024
Medi-Cal Hospital Quality Assurance Fee program	\$ 4,077,258	\$ 2,977,433
Medi-Cal outpatient supplemental funding	248,058	996,143
District Hospital Directed Payment program	15,684,287	4,500,000
Other inter-governmental transfers	16,516,760	17,698,255
<b>Total</b>	<b>\$ 36,526,363</b>	<b>\$ 26,171,831</b>

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### Note 3: Cash, Cash Equivalents, and Investments

##### Deposits

The California Government Code (the "Code") requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits.

At June 30, 2025 and 2024, the Medical Center had bank balances totaling approximately \$10,380,000 and \$20,511,000, respectively. Of these balances, approximately \$250,000 were insured by the Federal Deposit Insurance Corporation, and the remainder was collateralized.

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Notes to Financial Statements**

**Note 3: Cash, Cash Equivalents, and Investments (Continued)**

**Investments**

GAAP for governmental organizations require the Medical Center to disclose its deposit and investment policies related to investments with credit risk or deposits with custodial credit risk, the credit ratings and maturities of its investments (other than U.S. government obligations or obligations guaranteed by the U.S. government), and additional disclosures related to uninsured deposits. A summary of scheduled maturities by investment type is as follows:

	Investment maturities (in years) as of June 30, 2025			
	Fair Value	Less than 1	1-5	More than 5
Money market funds	\$ 5,935,849	\$ 5,935,849	\$ -	\$ -
Guaranteed investment contracts	8,226,718	8,226,718	-	-
<b>Totals</b>	<b>\$ 14,162,567</b>	<b>\$ 14,162,567</b>	<b>\$ -</b>	<b>\$ -</b>

Cash included in investments 11,497

Total investments \$ 14,174,064

	Investment maturities (in years) as of June 30, 2024			
	Fair Value	Less than 1	1-5	More than 5
Money market funds	\$ 5,601,283	\$ 5,601,283	\$ -	\$ -
Guaranteed investment contracts	8,357,843	8,357,843	-	-
<b>Totals</b>	<b>\$ 13,959,126</b>	<b>\$ 13,959,126</b>	<b>\$ -</b>	<b>\$ -</b>

Cash included in investments 11,497

Total investments \$ 13,970,623

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Notes to Financial Statements**

**Note 3: Cash, Cash Equivalents, and Investments (Continued)**

The investments are presented in the statements of net position as of June 30, as follows:

	2025	2024
Short-term investments	\$ 52,592	\$ 52,592
Noncurrent investments	14,121,472	13,918,031
<b>Total investments</b>	<b>\$ 14,174,064</b>	<b>\$ 13,970,623</b>

Investment activities of the Medical Center are governed by sections of the Code, which specify the authorized investments that may be made by the Medical Center. The Medical Center's investment policy (the "Policy") requires that all investing activities of the Medical Center comply with the Code and sets forth certain additional restrictions, which exceed those imposed by the Code.

*Interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

*Credit risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Policy requires that, to be eligible for investment, corporate notes shall be rated "A", or its equivalent, or better by a nationally-recognized rating service. The Policy also limits investment in collateralized mortgage obligations to obligations rated "AA", or its equivalent, or better. The Policy allows for investments in local agency investment funds (LAIF) up to the maximum amount allowed by the state of California. The investment in LAIF is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty. The state of California Treasurer's office has regulatory oversight of LAIF. The policy includes no limitation or restriction related to investments in United States Treasury or federal agency obligations.

Credit ratings for investments held at June 30 were as follows:

	2025	2024
Unrated	\$ 14,162,567	\$ 13,959,126
<b>Totals</b>	<b>\$ 14,162,567</b>	<b>\$ 13,959,126</b>

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

#### Note 3: Cash, Cash Equivalents, and Investments (Continued)

##### Fair Value Measurements

The following is a description of the valuation methodologies used for assets measured at fair value:

*Money market funds:* Valued using a net asset value (NAV) of \$1.

*Guaranteed investment contracts:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations, considering the credit-worthiness of the issuer.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Medical Center's investments by level within the fair value hierarchy were as follows at June 30, 2025:

	Total Assets at Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 5,935,849	\$ 5,935,849	\$ -	\$ -
Guaranteed investment contracts	8,226,718	-	8,226,718	-
<b>Totals</b>	<b>\$ 14,162,567</b>	<b>\$ 5,935,849</b>	<b>\$ 8,226,718</b>	<b>\$ -</b>

Cash included in investments 11,497

Total investments \$ 14,174,064

The Medical Center's investments by level within the fair value hierarchy were as follows at June 30, 2024:

	Total Assets at Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 5,601,283	\$ 5,601,283	\$ -	\$ -
Guaranteed investment contracts	8,357,843	-	8,357,843	-
<b>Totals</b>	<b>\$ 13,959,126</b>	<b>\$ 5,601,283</b>	<b>\$ 8,357,843</b>	<b>\$ -</b>

Cash included in investments 11,497

Total investments \$ 13,970,623

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Notes to Financial Statements**

**Note 4: Noncurrent Cash and Investments**

The composition of noncurrent cash and investments was as follows as of June 30:

	2025	2024
Restricted by trustee for debt service - Bond assets held in trust - Investments	\$ 13,852,911	\$ 13,787,264
Noncurrent assets held for capital projects and equipment:		
Restricted capital project funds - Held by trustee - Investments	257,064	119,270
CHFFA Distressed Hospital Loan - Unspent proceeds - Cash	1,200,000	3,600,000
Restricted special purpose and other funds - Investments	11,497	11,497
<b>Total noncurrent assets held for capital projects and equipment</b>	<b>1,468,561</b>	<b>3,730,767</b>
<b>Total noncurrent cash and investments</b>	<b>\$ 15,321,472</b>	<b>\$ 17,518,031</b>

**Restricted by Trustee for Debt Service**

Bond assets held in trust consist of assets designated as security for future bond payments.

**Restricted Assets Held for Capital Projects and Equipment**

Capital project funds are funded with bond proceeds and consist of assets restricted to fund capital projects.

**CHFFA Distressed Hospital Loan - Unspent Proceeds**

Cash designated by the Board of Trustees for capital projects and equipment, over the Board retains control and may, at its discretion, use for other purposes.

**Revenue Fund**

The Medical Center is required to establish a Revenue Fund account in accordance with the Series 2018 bond indenture agreement, which was established during the year ended June 30, 2024. The Medical Center is required to deposit revenue upon receipt into the fund for the purposes of paying the 2018 bond principal and interest, maintaining bond reserve accounts, and making deposits, as needed to a rebate fund. Amounts remaining in the revenue fund after the foregoing transfers are made are available to be transferred to the Medical Center upon request.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

### Note 5: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following at June 30:

	2025	2024
Patient receivables:		
Medicare	\$ 69,648,513	\$ 73,135,012
Medi-Cal	31,822,627	33,746,375
Commercial and other	36,698,758	19,175,176
Self-pay	4,821,354	3,959,941
Total patient receivables	142,991,252	130,016,504
Less:		
Contractual adjustments	106,992,607	107,920,264
Allowance for uncollectible accounts	3,826,776	2,426,131
Patient accounts receivable - Net	\$ 32,171,869	\$ 19,670,109

### Note 6: Capital Assets

Capital asset balances and activity consisted of the following for the years ended June 30:

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Nondepreciable capital assets:					
Land	\$ 665,935	\$ -	\$ -	\$ -	\$ 665,935
Construction in progress	81,771,528	13,061,485	-	74,403,150)	20,429,863
Total nondepreciable capital assets	82,437,463	13,061,485	-	74,403,150)	21,095,798
Depreciable capital assets:					
Land improvements	1,107,521	-	-	-	1,107,521
Buildings and improvements	118,003,771	-	-	72,748,213	190,751,984
Equipment and SBITAs	82,541,467	240,575	-	1,654,937	84,436,979
Total depreciable capital assets	201,652,759	240,575	-	74,403,150	276,296,484
Less - Accumulated depreciation	131,423,922	8,503,915	-	-	139,927,837
Net depreciable capital assets	70,228,837	(8,263,340)	-	74,403,150	136,368,647
Capital assets - Net	\$ 152,666,300	\$ 4,798,145	\$ -	\$ -	\$ 157,464,445

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Notes to Financial Statements**

**Note 6: Capital Assets (Continued)**

	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Nondepreciable capital assets:					
Land	\$ 665,935	\$ -	-	-	\$ 665,935
Construction in progress	69,797,307	12,269,691	-	(295,470)	81,771,528
<b>Total nondepreciable capital assets</b>	<b>70,463,242</b>	<b>12,269,691</b>	<b>-</b>	<b>(295,470)</b>	<b>82,437,463</b>
Depreciable capital assets:					
Land improvements	1,107,521	-	-	-	1,107,521
Buildings and improvements	117,248,504	691,925	-	63,342	118,003,771
Equipment and SBITAs	79,746,892	2,562,447	-	232,128	82,541,467
<b>Total depreciable capital assets</b>	<b>198,102,917</b>	<b>3,254,372</b>	<b>-</b>	<b>295,470</b>	<b>201,652,759</b>
Less - Accumulated depreciation	123,486,540	7,937,382	-	-	131,423,922
<b>Net depreciable capital assets</b>	<b>74,616,377</b>	<b>(4,683,010)</b>	<b>-</b>	<b>295,470</b>	<b>70,228,837</b>
<b>Capital assets - Net</b>	<b>\$ 145,079,619</b>	<b>\$ 7,586,681</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 152,666,300</b>

At June 30, 2025, the Medical Center has projects in progress to construct and improve various routine, ancillary, and support services, and implement a new electronic medical records system. Projects in progress include major repair and expansion projects on the Medical Center's premises. Total expenditures for the years ended June 30, 2025 and 2024, related to construction in progress were \$13,061,485 and \$12,269,691, respectively. At June 30, 2025, the remaining commitments of the Medical Center for future payments on these projects are estimated at approximately \$19,920,000.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

#### Note 6: Capital Assets (Continued)

Intangible right-to-use capital assets, included in capital assets - net, were as follows for the years ended June 30:

	Balance July 1, 2024	Additions	Deletions	Expirations	Balance June 30, 2025
Intangible right-to-use capital assets:					
Buildings and improvements	\$ 6,182,740	\$ -	\$ -	\$ -	\$ 6,182,740
Equipment	15,420,300	240,568	-	-	15,660,868
Subscription-based assets	778,324	-	-	-	778,324
<b>Total intangible right-to-use capital assets</b>	<b>22,381,364</b>	<b>240,568</b>	<b>-</b>	<b>-</b>	<b>22,621,932</b>
Less - Accumulated depreciation:					
Buildings and improvements	2,904,328	969,971	-	-	3,874,299
Equipment	9,187,571	2,158,781	-	-	11,346,352
Subscription-based assets	324,917	120,139	-	-	445,056
<b>Total accumulated depreciation</b>	<b>12,416,816</b>	<b>3,248,891</b>	<b>-</b>	<b>-</b>	<b>15,665,707</b>
<b>Intangible right-to-use capital assets - Net</b>	<b>\$ 9,964,548</b>	<b>\$ (3,008,323)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,956,225</b>

	Balance July 1, 2023	Additions	Deletions	Expirations	Balance June 30, 2024
Intangible right-to-use capital assets:					
Buildings and improvements	\$ 4,893,836	\$ 1,425,068	\$ (136,164)	\$ -	\$ 6,182,740
Equipment	13,201,484	2,229,360	(10,544)	-	15,420,300
Subscription-based assets	676,821	101,503	-	-	778,324
<b>Total intangible right-to-use capital assets</b>	<b>18,772,141</b>	<b>3,755,931</b>	<b>(146,708)</b>	<b>-</b>	<b>22,381,364</b>
Less - Accumulated depreciation:					
Buildings and improvements	2,335,164	686,679	(117,515)	-	2,904,328
Equipment	6,859,929	2,338,292	(10,650)	-	9,187,571
Subscription-based assets	162,002	162,915	-	-	324,917
<b>Total accumulated depreciation</b>	<b>9,357,095</b>	<b>3,187,886</b>	<b>(128,165)</b>	<b>-</b>	<b>12,416,816</b>
<b>Intangible right-to-use capital assets - Net</b>	<b>\$ 9,415,046</b>	<b>\$ 568,045</b>	<b>\$ (18,543)</b>	<b>\$ -</b>	<b>\$ 9,964,548</b>

**El Centro Regional Medical Center**  
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**Notes to Financial Statements**

**Note 7: Bonds, Notes, and Financed Purchases Payable**

Changes in bonds, notes, and financed purchases payable consisted of the following for the years ended June 30:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within one year
Series 2018	\$122,672,476	\$ -	\$ (1,285,000)	\$ 121,387,476	\$1,345,000
Financed purchases	150,041	-	(74,170)	75,871	42,779
Series 2018 discount	(8,451,262)	-	249,791	(8,201,471)	-
CHFFA Distressed Hospital Loan	27,999,950	-	-	27,999,950	518,519
CHFFA Distressed Hospital Loan discount	(3,774,421)	-	1,114,326	(2,660,095)	-
<b>Bonds, notes, and financed purchases payable</b>	<b>\$138,596,784</b>	<b>\$ -</b>	<b>\$ 4,947</b>	<b>\$ 138,601,731</b>	<b>\$1,906,298</b>

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within one year
Series 2018	\$ 123,825,000	\$ -	\$(1,152,524)	\$122,672,476	\$ 1,285,000
Financed purchases	193,050	-	(43,009)	150,041	57,392
Series 2018 discount	(8,701,053)	-	249,791	(8,451,262)	-
CHFFA Distressed Hospital Loan	-	28,000,000	(50)	27,999,950	518,519
CHFFA Distressed Hospital Loan discount	-	(4,424,445)	650,024	(3,774,421)	-
<b>Bonds, notes, and financed purchases payable</b>	<b>\$ 115,316,997</b>	<b>\$23,575,555</b>	<b>\$ (295,768)</b>	<b>\$138,596,784</b>	<b>\$ 1,860,911</b>

The 2018 bonds require the Medical Center to comply with certain covenants, include days cash on hand and debt service coverage.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 7: Bonds, Notes, and Financed Purchases Payable (Continued)**

The terms and due dates of the Medical Center's bonds, notes, and financed purchases payable at June 30, 2025, follow:

##### **Series 2018 - Direct Placement**

On April 4, 2018, the Medical Center issued the El Centro Financing Authority Hospital Revenue Refunding Bonds, Series 2018, (the Bonds) in the principal amount of \$125,000,000 and an original discount of \$9,991,639. Proceeds of the bonds were used to pay in full the Series 2015 A and B bonds, fund a bond reserve account, fund capitalized interest on the Series 2018 bonds, and pay issuance costs of the Series 2018 bonds. Proceeds will also be used to finance capital improvements to the Medical Center. Principal payments are due annually on July 1, beginning in 2022 and through 2058, in amounts ranging from \$1,175,000 to \$7,650,000. Interest payments are due semiannually on July 1 and January 1, beginning in 2018 and through 2058, at 4.50% to 5.75%.

The Bonds are supported by installment purchase payments that constitute special limited obligations of the City, secured solely by Medical Center revenues. Revenues are defined in the agreement as all revenues, income, receipts, and money received in any period by the Medical Center (other than casualty insurance, donor-restricted gifts, grants, bequests, donations, contributions, and tax revenues, if any). Neither the faith and credit nor the taxing power of the City is pledged to the repayment of the Bonds. The Bonds do not constitute a debt of the City and are non-recourse to the City's General Fund.

Principal and interest amounts deposited for debt service on the bonds are expected to require approximately 5% of revenues annually. There was one principal deposit required and two interest deposits required totaling \$8,034,262 during the year ended June 30, 2025, and total revenues as defined in the agreement were \$181,706,143.

##### Event of Default

The Medical Center did not meet certain debt covenants as required by the Bond agreement, which is considered an event of default, and waivers were not granted. In accordance with the terms of the Bond agreement, the bond Trustee may declare the principal of all the bonds outstanding, including interest accrued, to be due and payable immediately and, as such, the outstanding balance of the Bonds as of June 30, 2025 has been classified as a current liability within the accompanying statements of net position. In addition, after an event of default the Trustee may increase the interest rate by 5.0% per annum.

##### **California Health Facilities Financing Authority (CHFFA) Distressed Hospital Loan**

Note payable with a face value of \$28,000,000 and an original discount of \$4,424,445 based on an imputed interest rate of 4.0%. The discount will be amortized over the life of the note. The note is due in monthly installments of \$518,519, starting in June 2026, with a final payment due in November 2030. Secured by Medi-Cal payments.

The Medical Center recorded grant revenue in the amount of \$4,424,445 in 2024 related to the discount recognized on the interest-free loan.

**El Centro Regional Medical Center**  
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**Notes to Financial Statements**

**Note 7: Bonds, Notes, and Financed Purchases Payable (Continued)**

Scheduled principal and interest payments on bonds, notes, and financed purchases payable, including current maturities, are summarized as follows at June 30, 2025:

	Principal	Interest
2026	\$ 1,906,298	\$ 6,751,235
2027	7,660,301	6,689,221
2028	7,687,222	6,625,512
2029	7,752,222	6,559,587
2030	7,899,661	6,490,737
2031-2035	11,932,593	31,121,285
2036-2040	12,200,000	28,255,235
2041-2045	15,945,000	24,510,286
2046-2050	20,840,000	19,615,285
2051-2055	27,445,000	13,016,274
2056-2060	28,195,000	4,166,161
<b>Totals</b>	<b>\$ 149,463,297</b>	<b>\$ 153,800,818</b>

Scheduled principal and interest payments in this schedule are based on the original amortization schedules, and do not include potential payment acceleration or increased interest rates related to the event of default on the Bonds.

The Medical Center incurred \$8,427,885 and \$8,091,512 in interest during the years ended June 30, 2025 and 2024, respectively, on all debt, including the bonds, notes, financed purchases, Subscription-Based Information Technology Arrangements, and leases payable.

**El Centro Regional Medical Center**  
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**Notes to Financial Statements**

**Note 8: Leases**

Changes in leases payable consisted of the following for the years ended June 30:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due within one year
Calexico clinic	\$ 2,623,675	\$ -	\$ (322,255)	\$ 2,301,420	\$ 344,939
Stryker Beds	723,825	-	(258,571)	465,254	263,826
MedOne Pumps	758,232	-	(214,660)	543,572	219,002
Regents Capital	42,554	-	(42,554)	-	-
Interventional Radiology	104,559	-	(68,760)	35,799	21,411
Insight Olympus	139,370	-	(139,370)	-	-
Shared Imaging	193,092	240,568	(287,727)	145,933	145,933
Other leases payable	3,958,779	-	(1,251,472)	2,707,307	829,897
<b>Leases payable</b>	<b>\$ 8,544,086</b>	<b>\$ 240,568</b>	<b>\$ (2,585,369)</b>	<b>\$ 6,199,285</b>	<b>\$ 1,825,008</b>

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due within one year
Intuitive Surgical	\$ 245,234	\$ -	\$ (245,234)	\$ -	\$ -
GE Lease A	2,169	-	(2,169)	-	-
GE Lease B	113,343	-	(113,343)	-	-
GE Lease C	8,115	-	(8,115)	-	-
GE Lease D	949	-	(949)	-	-
Calexico clinic	2,942,136	-	(318,461)	2,623,675	331,435
Stryker Beds	977,315	-	(253,490)	723,825	258,207
MedOne Pumps	968,673	-	(210,441)	758,232	214,689
Regents Capital	185,639	-	(143,085)	42,554	42,554
Interventional Radiology	170,627	-	(66,068)	104,559	77,902
Insight Olympus	322,479	-	(183,109)	139,370	139,370
Shared Imaging	473,262	-	(280,170)	193,092	193,092
Other leases payable	2,126,092	3,019,424	(1,186,737)	3,958,779	1,122,102
<b>Leases payable</b>	<b>\$ 8,536,033</b>	<b>\$ 3,019,424</b>	<b>\$ (3,011,371)</b>	<b>\$ 8,544,086</b>	<b>\$ 2,379,351</b>

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 8: Leases** (Continued)

The terms and expiration dates of the Medical Center's leases payable at June 30, 2025, follow:

Calexico clinic - Lease agreement dated July 2021 in the original principal amount of \$3,542,145, due in monthly installments of \$35,863, including imputed interest at 4.00% through June 2031, for building space.

Stryker Beds - Lease agreement dated April 2020 in the original principal amount of \$1,766,998, due in monthly installments of \$22,560, including imputed interest at 2.00%, through March 2027, collateralized by leased equipment.

MedOne Pumps - Lease agreement dated June 2020 in the original principal amount of \$1,487,456, due in monthly installments of \$18,991, including imputed interest at 2.00%, through June 2027, collateralized by leased equipment.

Interventional Radiology - Lease agreement dated December 2020 in the original principal amount of \$532,635, due in monthly installments of \$6,501, including interest at 4.00%, through January 2026, collateralized by leased equipment.

Insight Olympus - Lease agreement dated April 2022 in the original principal amount of \$532,995, due in monthly installments of \$16,134, including imputed interest at 5.67%, through March 2025. This lease was paid in full during the year ended June 30, 2025.

Shared Imaging - Lease agreement dated March 2022 in the original principal amount of \$829,834, due in monthly installments of \$24,500, including imputed interest at 4.00%, through March 2025. This lease was renewed for 10 months at the same installment rate, including the interest rate, through December 2025.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

### Note 8: Leases (Continued)

The Medical Center has entered into various other lease agreements due in monthly installments of up to \$35,863, including interest from 0% to 5.00%, expiring at various dates through June 2030, collateralized by various leased assets.

The Medical Center has also entered into rental agreements that do not meet the criteria for capitalization, with related rentals charged to operations as incurred. Rental expense for these agreements amounted to \$503,712 and \$354,797 for the years ended June 30, 2025 and 2024, respectively.

Future minimum lease payments as of June 30, 2025, are:

	Principal	Interest	Total
2026	\$ 1,825,008	\$ 202,127	\$ 2,027,135
2027	1,421,587	149,057	1,570,644
2028	905,734	107,283	1,013,017
2029	834,515	43,428	877,943
2030	830,855	25,984	856,839
2031-2035	381,586	9,181	390,767
<b>Totals</b>	<b>\$ 6,199,285</b>	<b>\$ 537,060</b>	<b>\$ 6,736,345</b>

### Note 9: Subscription-Based Information Technology Arrangements

Changes in subscription based information technology arrangements consisted of the following for the years ended June 30:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due with in one year
Premier GL/AP/MM	\$ 267,809	\$ -	\$ (176,751)	\$ 91,058	\$ 91,058
Filvine Outlaw Contract Management	11,775	-	(11,775)	-	-
MCG Patient Status Software	10,539	-	(10,539)	-	-
Premier Supply Analytics	69,010	-	(33,816)	35,194	35,194
<b>Totals</b>	<b>\$ 359,133</b>	<b>\$ -</b>	<b>\$ (232,881)</b>	<b>\$ 126,252</b>	<b>\$ 126,252</b>

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

### Note 9: Subscription-Based Information Technology Arrangements (Continued)

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due with in one year
Premier GL/AP/MM	\$ 437,641	\$ -	\$ (169,832)	\$ 267,809	\$ 169,832
Filvine Outlaw Contract Management	24,139	-	(12,364)	11,775	11,775
MCG Patient Status Software	51,661	-	(41,122)	10,539	10,539
Premier Supply Analytics	-	101,503	(32,493)	69,010	33,816
<b>Totals</b>	<b>\$ 513,441</b>	<b>\$ 101,503</b>	<b>\$ (255,811)</b>	<b>\$ 359,133</b>	<b>\$ 225,962</b>

The terms of the Medical Center's subscription-based information technology arrangements are as follows:

- Premier GL/AP/MM - SBITA in the original amount of \$520,047 (from implementation date), due in monthly installments of \$15,354, including imputed interest at 4.0%, through December 2025.
- Filvine Outlaw Contract Management - SBITA in the original amount of \$36,987 (from implementation date), due in monthly installments of \$1,092, including interest at 5.0%, through May 2025.
- MCG Patient Status Software - SBITA in the original amount of \$119,787 (from implementation date), due in monthly installments of \$3,537, including imputed interest at 5.0%, through September 2024.
- Premier Supply Analytics - SBITA in the original amount of \$101,503 (from implementation date), due in monthly installments of \$2,997, including imputed interest at 4.0%, through June 2026.

<i>Future Minimum Payments</i>	Principal	Interest	Total
2026	\$ 126,252	\$ 1,832	\$ 128,084
<b>Totals</b>	<b>\$ 126,252</b>	<b>\$ 1,832</b>	<b>\$ 128,084</b>

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

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### Note 10: Self-Insurance Liabilities

Changes in the Medical Center's medical benefits self-insurance liability, included in accrued compensation and benefits in the accompanying statements of net position, during the years ended June 30, 2025 and 2024, were as follows:

Balance - June 30, 2023	\$ 918,935
Current year claims and changes in estimate	7,075,783
Claim payments	(7,054,568)
<hr/>	
Balance - June 30, 2024	940,150
Current year claims and changes in estimate	5,556,606
Claim payments	(5,701,106)
<hr/>	
Balance - June 30, 2025	\$ 795,650

Changes in the Medical Center's workers' compensation self-insurance liability, included in accrued compensation and benefits in the accompanying statements of net position, during the years ended June 30, 2025 and 2024, were as follows:

Balance - June 30, 2023	\$ 2,020,850
Current year claims and changes in estimate	1,235,236
Claim payments	(901,686)
<hr/>	
Balance - June 30, 2024	2,354,400
Current year claims and changes in estimate	1,483,186
Claim payments	(638,998)
<hr/>	
Balance - June 30, 2025	\$ 3,198,588

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

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### Note 11: Net Patient Service Revenue

Net patient service revenue consisted of the following for the years ended June 30:

	2025	2024
Gross patient service revenue:		
Inpatient services	\$ 194,015,821	\$ 185,355,640
Outpatient services	507,099,618	522,192,072
Total gross patient service revenue	701,115,439	707,547,712
Less:		
Contractual adjustments	517,438,039	551,580,650
Provision for bad debts	7,069,667	5,350,611
Net patient service revenue	\$ 176,607,733	\$ 150,616,451

Revenue from the Medicare and Medi-Cal programs accounted for approximately 46% and 36%, respectively, of net patient service revenue for the year ended June 30, 2025, and 44% and 41%, respectively, of net patient service revenue for the year ended June 30, 2024.

Net Medicare and Medi-Cal program patient service revenue amounted to \$139,656,533 and \$127,696,812 for the years ended June 30, 2025 and 2024, respectively.

### Note 12: Charity Care

The Medical Center provides healthcare services and other financial support through various programs that are designed, among other matters, to enhance the health of the community, including the health of low income patients. The Medical Center gives discounts from established charges to self-pay patients without regard for ability to pay and considers these discounts a part of its community benefit.

Patients who meet certain criteria for charity care, generally based on federal poverty guidelines, are provided care based on qualifying criteria as defined in the Medical Center's charity care policy and from applications completed by patients and their families.

The Medical Center maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy aggregated \$1,494,656 and \$3,458,860 for the years ended June 30, 2025 and 2024, respectively.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### Note 13: Employees' Retirement Plan

##### Defined Benefit Plan

*Plan Description* - The Retirement Plan is a single-employer defined benefit pension plan sponsored and administered by the Medical Center. The Retirement Plan covers all employees of the Medical Center hired before January 1, 2010. Employees first hired after December 31, 2009, are not eligible to participate in the Retirement Plan. The Retirement Plan provides retirement and death benefits to participants and its beneficiaries. The Retirement Plan is administered by a retirement plan committee appointed by the Board of Trustees of the Medical Center.

*Benefits Provided* - The Retirement Plan provides retirement and death benefits. Retirement benefits are calculated as the greater of (a) 65% of Final Earnings, reduced proportionately for Years of Credited Service less than 25, (b) 70% of final earnings, reduced proportionately for years of credited service less than 35 or (c) the benefit provided by a participant's accumulated employee contributions. Final earnings is defined as the highest three-year consecutive average compensation. Normal retirement is the later of age 65 and the 5th anniversary of hire. Early retirement is available at age 55 based on credited service to the date of retirement, with a benefit that is actuarially reduced for commencement prior to the normal retirement date. Death benefits are paid as a lump sum equal to the greater of the present value of the participant's accrued benefit or the participant's accumulated employee contributions.

Employees covered at June 30, 2024, by the benefit terms for the Plan are as follows:

Inactive employees (or their beneficiaries) currently receiving benefits	367
Inactive employees entitled to but not yet receiving benefits	951
Active employees	206
Total	1,524

As of January 1, 2010, the Retirement Plan was closed to new entrants.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### Note 13: Employees' Retirement Plan (Continued)

##### Defined Benefit Plan (Continued)

*Contributions* - The Retirement Plan's funding policy provides for annual employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Medical Center is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2024, participants contributed 6.00% of their annual pay, and the Medical Center's average contribution rate was 22.39% of annual payroll. The contribution requirements of participants and the Medical Center are established and may be amended by the Medical Center's Board of Trustees.

*Net Pension Liability* - The Medical Center's net pension liability was measured as of June 30, 2024, 12 months prior to statement of net position date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* - The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0%
Salary increases	2.0% including inflation
Investment rate of return	7.25% net pension plan expense, including inflation

Mortality rates were based on the Society of Actuaries RP 2014 Table with the MP2021 adjustment for males or females, as appropriate.

**El Centro Regional Medical Center**  
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**Notes to Financial Statements**

**Note 13: Employees' Retirement Plan (Continued)**

**Defined Benefit Plan (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and including inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for June 30, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	42.00 %	6.0 %
International equities	11.00 %	8.0 %
Emerging markets	3.00 %	7.0 %
Fixed income	31.00 %	5.0 %
Alternative investments	13.00 %	6.0 %
<b>Totals</b>	<b>100.00 %</b>	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that participant contributions will be made at 6.00% effective June 30, 2024. Based on those assumptions, the Retirement Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

### Note 13: Employees' Retirement Plan (Continued)

#### Changes in the Net Pension Liability

	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2024	\$ 137,965,900	\$ 82,321,200	\$ 55,644,700
Changes for the year:			
Service cost incurred	619,900	-	619,900
Interest on total pension liability	9,845,800	-	9,845,800
Actuarial liability loss (gain)	1,492,500	-	1,492,500
Benefit payments	(8,287,700)	(8,287,700)	-
Contributions - Employer	-	4,000,000	(4,000,000)
Contributions - Employee	-	1,101,300	(1,101,300)
Net investment income	-	9,706,500	(9,706,500)
Administrative expense	-	(56,100)	56,100
Current-year net changes	3,670,500	6,464,000	(2,793,500)
Balances as of June 30, 2025	\$ 141,636,400	\$ 88,785,200	\$ 52,851,200
	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)
Balances as of June 30, 2023	\$ 133,179,800	\$ 79,005,200	\$ 54,174,600
Changes for the year:			
Service cost incurred	724,600	-	724,600
Interest on total pension liability	9,502,600	-	9,502,600
Actuarial liability loss (gain)	1,468,600	-	1,468,600
Benefit payments	(6,909,700)	(6,909,700)	-
Contributions - Employer	-	3,726,700	(3,726,700)
Contributions - Employee	-	1,217,500	(1,217,500)
Net investment income	-	5,336,200	(5,336,200)
Administrative expense	-	(54,700)	54,700
Current-year net changes	4,786,100	3,316,000	1,470,100
Balances as of June 30, 2024	\$ 137,965,900	\$ 82,321,200	\$ 55,644,700

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Notes to Financial Statements**

**Note 13: Employees' Retirement Plan (Continued)**

**Changes in the Net Pension Liability (Continued)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the net pension liability of the Medical Center, calculated using the discount rate, as well as what the Medical Center's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	2025	2024
1% decrease Net pension liability	6.25 % \$ 69,660,600	6.25 % \$ 71,262,500
Current discount rate Net pension liability	7.25 % \$ 52,851,200	7.25 % \$ 55,644,700
1% increase Net pension liability	8.25 % \$ 38,800,400	8.25 % \$ 41,764,500

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the years ended June 30, 2025 and 2024, the Medical Center recognized pension expense of \$5,151,500 and \$6,745,000, respectively.

At June 30, 2025, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 378,700	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	1,471,900	-
Contributions made after the measurement date of June 30, 2024	1,000,000	-
<b>Totals</b>	<b>\$ 2,850,600</b>	<b>\$ -</b>

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Notes to Financial Statements**

**Note 13: Employees' Retirement Plan (Continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

At June 30, 2024, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 447,300	\$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on plan investments	5,361,600	-
Contributions made after the measurement date of June 30, 2023	4,000,000	-
<b>Totals</b>	<b>\$ 9,808,900</b>	<b>\$ -</b>

Contributions made after the measurement dates reported as deferred outflows of resources will be recognized as reductions of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2025, will be recognized as pension expense as follows:

	Recognized deferred Inflows/Outflows
2026	\$ 1,039,900
2027	2,210,800
2028	(658,100)
2029	(742,000)
<b>Total</b>	<b>\$ 1,850,600</b>

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

### Note 13: Employees' Retirement Plan (Continued)

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Plan has the following recurring fair value measurements as of June 30, 2024:

	Level 1	Level 2	Level 3	Total Assets
Marketable and equity securities:				
U.S. Treasury notes	\$ -	\$ 3,887,354	\$ -	\$ 3,887,354
Government agency notes	-	5,586,629	-	5,586,629
Fixed income mutual funds	8,780,493	-	-	8,780,493
Convertible bonds	-	8,766,539	-	8,766,539
Common stock ADRs	23,391,182	-	-	23,391,182
Exchange traded funds	156,978	-	-	156,978
<b>Total marketable and equity securities</b>	<b>32,328,653</b>	<b>18,240,522</b>	<b>-</b>	<b>50,569,175</b>
Limited partnerships and hedge funds - International				
	-	-	35,049,112	35,049,112
<b>Totals</b>	<b>\$ 32,328,653</b>	<b>\$ 18,240,522</b>	<b>\$ 35,049,112</b>	<b>\$ 85,618,287</b>

The Plan has the following recurring fair value measurements as of June 30, 2023:

	Level 1	Level 2	Level 3	Total Assets
Marketable and equity securities:				
U.S. Treasury notes	\$ -	\$ 3,687,485	\$ -	\$ 3,687,485
Government agency notes	-	5,385,020	-	5,385,020
Fixed income mutual funds	8,490,589	-	-	8,490,589
Convertible bonds	-	8,910,547	-	8,910,547
Common stock ADRs	22,739,492	-	-	22,739,492
Preferred stock	77,075	-	-	77,075
<b>Total marketable and equity securities</b>	<b>31,307,156</b>	<b>17,983,052</b>	<b>-</b>	<b>49,290,208</b>
Limited partnerships - International				
	-	-	32,260,792	32,260,792
<b>Totals</b>	<b>\$ 31,307,156</b>	<b>\$ 17,983,052</b>	<b>\$ 32,260,792</b>	<b>\$ 81,551,000</b>

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Notes to Financial Statements

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#### **Note 13: Employees' Retirement Plan** (Continued)

##### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

*Interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The U.S. Treasury notes have maturities ranging from 3-22 years, the government agency notes have maturities ranging from 9-28 years, and the convertible bonds have maturities ranging from 1-25 years.

*Credit risk* - The U.S. Treasury notes and government agency notes consist of funds with A-AAA credit ratings. The remaining investments are not disclosed.

Fixed income and equity classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. The guaranteed deposit classified as Level 3 is valued using consensus pricing.

Limited partnerships and hedge funds - International classified as Level 3 are valued using the NAV per share. These multi strategy hedge funds invest in equities, private investments, and other financial instruments and offer quarterly redemption rights to share owners in the fund, with redemption notice periods ranging from 10 to 15 days.

##### **Defined Contribution Plan**

The Medical Center contributes to the El Centro Regional Medical Center Defined Contribution Plan (401a) (DCP), a defined contribution plan, for its employees hired after January 1, 2010, and not enrolled in the defined benefit plan. DCP is administered by the Medical Center.

Benefit terms, including contribution requirements, for DCP are established by the Medical Center. The Medical Center is required to match employee contribution percentages. Employees enrolled in this plan contributed 6.00% and 6.00% of their gross payroll in fiscal year 2024 and 2025, respectively. Employees are immediately vested upon entering the DCP.

The Medical Center's contributions to this plan were \$1,883,617 and \$1,557,675 for the years ended June 30, 2025 and 2024, respectively.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

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### Note 14: Contingencies

Malpractice and workers' compensation claims have been asserted against the Medical Center by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are also known incidents that have occurred through June 30, 2025, that may result in the assertion of additional claims. Medical Center management has accrued an estimate of these contingent losses.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Over the last several years, government activity has increased with respect to investigations and allegations concerning possible violations of regulations by healthcare providers, which could result in the imposition of significant fines and penalties, as well as significant repayment of previously billed and collected revenue for patient services. Other than the issue discussed above, management believes that the Medical Center is in compliance with current laws and regulations and that any potential liability arising from compliance issues have been properly reflected in the Medical Center's financial statements or are not considered to be material to the Medical Center's financial position and results of operations as of and for the year ended June 30, 2025.

As disclosed in Note 2, the Medicare and Medi-Cal government reimbursement programs account for a substantial amount of the Medical Center's net patient service revenue. Expenditure reduction efforts and budget concerns within the United States and California legislature continue to create uncertainty over the amount of future health care funding. It is at least reasonably possible that future reimbursements for patient services under these programs could be negatively impacted.

### Note 15: Concentration of Credit Risk

Financial instruments that potentially subject the Medical Center to credit risk consist principally of patient accounts receivable. Patient accounts receivable consist of amounts due from patients, their insurers, or governmental agencies (primarily Medicare and Medi-Cal) for health care provided to the patients. The majority of the Medical Center's patients are from El Centro, California, and the surrounding area.

The mix of receivables from patients and third-party payors consisted of the following at June 30:

	2025	2024
Medi-Cal	49 %	56 %
Medicare	22 %	26 %
Insurance and third-party payors	26 %	15 %
Self-pay	3 %	3 %
Totals	100 %	100 %

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Notes to Financial Statements

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### **Note 16: 340B Drug Pricing Program Settlement**

The Medical Center participates in the 340B Drug Pricing Program. The federal designation allows the Medical Center to contract with local pharmacies to provide care on the Medical Center's behalf to qualifying patients. The Medical Center received a lump sum settlement during the year ended June 30, 2024 related to 340B Drug Pricing Program service provided in the amount of approximately \$5,846,000, included in other operating revenue.

### **Note 17: Going Concern Contingency**

As indicated in the accompanying financial statements, the Medical Center's current liabilities exceeded its current assets by \$106,144,536 as of June 30, 2025, primarily due to the event of default on the Bonds described in Note 7. The uncertain conditions that the Medical Center faces regarding the Bonds and the event of default create an uncertainty about the Medical Center's ability to continue as a going concern. Management of the Medical Center has developed a plan to improve cash flows, which includes continued initiatives to improve reimbursement and reduce expenses. The ability of the Medical Center to continue as a going concern is dependent on the success of the plan. The financial statements do not include any adjustments that might be necessary if the Medical Center is unable to continue as a going concern. Also see Note 19.

### **Note 18: Reclassifications**

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 classifications.

### **Note 19: Subsequent Events**

The Medical Center has approved a plan to merge with Imperial Valley Healthcare District. The Medical Center anticipates the merger to be finalized during the year ending June 30, 2027.

The Medical Center was awarded an \$11 million distressed hospital grant from the state of California in May 2026.

## **Required Supplementary Information**

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# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Schedule of Changes in the Net Pension Liability and Related Ratios

	Years Ended June 30				
	2025	2024	2023	2022	2021
Measurement date:	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Total pension liability:					
Service costs	\$ 619,900	\$ 724,600	\$ 727,200	\$ 853,900	\$ 882,300
Interest	9,845,800	9,502,600	8,943,000	8,311,300	7,988,000
Actuarial liability loss	1,492,500	1,468,600	4,317,300	6,475,400	1,729,400
Change in assumptions	-	-	(304,400)	(440,000)	(318,900)
Retiree liability transferred to Prudential	-	-	-	(531,400)	-
Benefit payments, including return of participant contributions	(8,287,700)	(6,909,700)	(5,962,900)	(6,248,700)	(5,452,000)
Net change in total pension liability	3,670,500	4,786,100	7,720,200	8,420,500	4,828,800
Total pension liability - Beginning	137,965,900	133,179,800	125,459,600	117,039,100	112,210,300
Total pension liability - Ending	141,636,400	137,965,900	133,179,800	125,459,600	117,039,100
Plan fiduciary net position:					
Contributions by Medical Center	4,000,000	3,726,700	5,331,100	5,400,000	5,400,000
Contributions by participants	1,101,300	1,217,500	1,333,500	1,317,900	1,326,000
Net investment income	9,706,500	5,336,200	(7,987,900)	13,295,000	7,177,200
Benefit payments, including return of participant contributions	(8,287,700)	(6,909,700)	(5,962,900)	(6,248,700)	(5,452,000)
Annuity purchases at Prudential	-	-	-	(689,300)	-
Administrative expense	(56,100)	(54,700)	(49,200)	(160,300)	(53,300)
Net change in plan fiduciary net position	6,464,000	3,316,000	(7,335,400)	12,914,600	8,397,900
Plan fiduciary net position - Beginning	82,321,200	79,005,200	86,340,600	73,426,000	65,028,100
Plan fiduciary net position - Ending	88,785,200	82,321,200	79,005,200	86,340,600	73,426,000
Medical Center's net pension liability	\$ 52,851,200	\$ 55,644,700	\$ 54,174,600	\$ 39,119,000	\$ 43,613,100
Plan fiduciary net position as a percentage of the total pension liability	62.69 %	59.67 %	59.32 %	68.82 %	62.74 %
Covered payroll	\$ 17,618,700	\$ 18,414,000	\$ 20,881,400	\$ 22,757,900	\$ 23,156,600
Medical Center's net pension liability as a percentage of covered payroll	299.97 %	302.19 %	259.44 %	171.89 %	188.34 %

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Schedule of Changes in the Net Pension Liability and Related Ratios

(Continued)

Years Ended June 30

	2020	2019	2018	2017	2016
Measurement date:	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total pension liability:					
Service costs	\$ 958,700	\$ 1,012,200	\$ 1,179,700	\$ 1,241,300	\$ 1,460,700
Interest	7,872,800	7,327,500	6,889,400	6,525,700	6,129,100
Actuarial liability loss	(1,946,200)	4,954,000	4,980,600	1,576,800	1,346,000
Change in assumptions	(274,900)	(483,000)	577,200	115,800	109,000
Benefit payments, including return of participant contributions	(4,616,200)	(5,263,000)	(4,264,400)	(4,219,900)	(3,646,300)
Net change in total pension liability	1,994,200	7,547,700	9,362,500	5,239,700	5,398,500
Total pension liability - Beginning	110,216,100	102,668,400	93,305,900	88,066,200	82,667,700
Total pension liability - Ending	112,210,300	110,216,100	102,668,400	93,305,900	88,066,200
Plan fiduciary net position:					
Contributions by Medical Center	4,780,300	4,064,100	3,347,900	3,239,400	3,716,700
Contributions by participants	1,303,200	1,288,400	1,371,800	1,356,200	1,333,700
Net investment income	3,902,200	3,198,800	1,676,400	66,800	2,334,200
Benefit payments, including return of participant contributions	(4,616,200)	(5,263,000)	(4,264,400)	(4,219,900)	(3,646,300)
Administrative expense	(42,300)	(40,300)	(38,500)	(36,600)	(32,700)
Net change in plan fiduciary net position	5,327,200	3,248,000	2,093,200	405,900	3,705,600
Plan fiduciary net position - Beginning	59,700,900	56,452,900	54,359,700	53,953,800	50,248,200
Plan fiduciary net position - Ending	65,028,100	59,700,900	56,452,900	54,359,700	53,953,800
Medical Center's net pension liability	\$ 47,182,200	\$ 50,515,200	\$ 46,215,500	\$ 38,946,200	\$ 34,112,400
Plan fiduciary net position as a percentage of the total pension liability	57.95 %	54.17 %	54.99 %	58.26 %	61.27 %
Covered payroll	\$ 23,655,000	\$ 25,425,100	\$ 26,162,900	\$ 27,097,600	\$ 27,657,600
Medical Center's net pension liability as a percentage of covered payroll	199.46 %	198.68 %	176.65 %	143.73 %	123.34 %

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Schedule of Changes in the Net Pension Liability and Related Ratios

(Continued)

Years Ended June 30

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### Notes to Schedule

Changes in assumptions:

None.

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Schedule of Pension Contributions**

<i>Years Ended June 30,</i>	2025	2024	2023	2022	2021
Actuarially determined contribution	\$ 4,109,200	\$ 3,944,400	\$ 4,000,000	\$ 5,400,000	\$ 5,400,000
Contributions in relation to the actuarially determined contribution	3,999,966	3,999,996	4,321,670	5,331,100	5,400,000
<b>Contribution (excess) deficiency</b>	<b>\$ 109,234</b>	<b>\$ (55,596)</b>	<b>\$ (321,670)</b>	<b>\$ 68,900</b>	<b>\$ -</b>
Covered-employee payroll	Not available	\$ 17,618,700	\$18,414,000	\$20,881,400	\$22,757,900
Contributions as a percentage of covered employee payroll	Not available	22.70 %	23.47 %	25.53 %	23.73 %
<i>Years Ended June 30,</i>	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 5,400,000	\$ 4,780,300	\$ 4,064,100	\$ 3,347,900	\$ 3,239,400
Contributions in relation to the actuarially determined contribution	5,400,000	4,780,300	4,064,100	3,347,900	3,239,400
<b>Contribution (excess) deficiency</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered-employee payroll	\$23,156,600	\$23,655,000	\$25,425,100	\$26,162,900	\$27,097,600
Contributions as a percentage of covered employee payroll	23.32 %	20.21 %	15.98 %	12.80 %	11.95 %

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Schedule of Pension Contributions (Continued)

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### Notes to Schedule

Valuation date Actuarially determined contribution rates are calculated as of the July 1st prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method 20-year rolling-period, combined, flat dollar

Asset valuation method 5-year smoothed market

Inflation 2.0%

Salary increases 2.0%

Investment rate of return 7.25%

Discount rate 7.25%

Retirement age 65 years

Mortality Mortality rates were based on the Society of Actuaries RP 2014 Table with the MP 2021 for males or females, as appropriate.

# El Centro Regional Medical Center

## An Enterprise Fund of the City of El Centro

### Schedule of Investment Returns

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual money - weighted rate of return, net of investment expense	10.50 %	6.76 %	(9.25)%	17.68 %	10.82 %	6.40 %	5.68 %	3.07 %	0.12 %	4.53 %

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

Board of Trustees  
El Centro Regional Medical Center  
An Enterprise Fund of the City of El Centro  
El Centro, California

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of El Centro Regional Medical Center, an Enterprise Fund of the City of El Centro, as of and for the year ended June 30, 2025, the Pension Trust Fund as of and for the year ended June 30, 2024 (collectively the "Medical Center"), and the related notes to the financial statements, which comprise the Medical Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 2, 2026.

### **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025.001, 2025.002, and 2025.003 that we consider to be significant deficiencies.

## Report on Compliance and Other Matters

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

## The Medical Center's Responses to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Medical Center's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Medical Center's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## Purpose of This Report

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



Wipfli LLP

Spokane, Washington

June 2, 2026

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Schedule of Findings and Responses**

Year Ended June 30, 2025

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**Finding 2025.001 - Estimated Third-Party Payor Settlements**

Condition: Estimated third party payor settlements is a significant estimate to the Medical Center's financial statements. Management is responsible for establishing policies and procedures to estimate the allowances to ensure the estimate is reasonable and adjustments are made timely.

Criteria: Internal controls and procedures should provide for proper monitoring of estimated third party payor settlements to ensure the estimates are reasonable and adjustments are made timely for both year-end and interim financial reporting.

Cause: Internal controls and procedures did not provide for proper monitoring and timely adjustment of estimated third party payor settlements during the year.

Effect: Estimated third party payor settlements required significant adjustments during the audit.

View of responsible officials: The Medical Center will review its policies and procedures related to estimated third party payor settlements and make changes as needed to ensure the estimates are reasonable and any necessary adjustments are made timely.

# El Centro Regional Medical Center

An Enterprise Fund of the City of El Centro

## Schedule of Findings and Responses

Year Ended June 30, 2025

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### **Finding 2025.002 - Significant Credit Balances in Accounts Receivable**

Condition: During the audit we observed patient accounts receivable included credit balances totaling approximately \$14.6 million, primarily resulting from duplicated secondary insurance payments posting to the electronic health records system.

Criteria: Internal controls and systems should provide for proper monitoring, timely investigation, and appropriate resolution of credit balances in accounts receivable. Controls should ensure that credit balances are accurately identified and cleared within a reasonable timeframe to prevent misstated financial statements and to ensure compliance with applicable regulations.

Cause: Internal controls and systems did not provide for timely identification and resolution of credit balances resulting from duplication of secondary payor payments, causing significant credit balances to accumulate.

Effect: Material credit balances in patient accounts receivable could result in misstated financial statements.

View of responsible officials: The Medical Center will review and update its policies and procedures related to monitoring and resolving credit balances within accounts receivable. Management will implement additional review controls to ensure credit balances are investigated and resolved timely on an ongoing basis. Management anticipates this to improve as the Medical Center acclimates to its new electronic health records system.

**El Centro Regional Medical Center**  
**An Enterprise Fund of the City of El Centro**  
**Schedule of Findings and Responses**

Year Ended June 30, 2025

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**Finding 2025.003 - Depreciation Expense Not Recorded for Fixed Assets Placed in Service**

Condition: During the audit we observed significant fixed assets that were in use during the year were not transferred out of construction in progress and depreciated.

Criteria: Internal controls should ensure that all capital assets placed into service are identified, recorded in the fixed asset system, assigned appropriate useful lives, and depreciated beginning in the period the asset becomes available for use. Controls should provide for timely review of fixed asset additions and system postings to confirm depreciation is calculated and recorded accurately for both interim and year-end reporting.

Cause: Internal controls did not properly ensure that fixed assets placed into service were transferred out of construction in progress and entered into the depreciation system timely.

Effect: Depreciation expense and accumulated depreciation were misstated, requiring correcting adjustments.

View of responsible officials: The Medical Center will review and strengthen controls over the fixed asset process, including documentation of in-service dates and transfers out of construction in progress. Management will implement additional monitoring procedures to ensure depreciation expense is properly recorded for all assets placed into service during the fiscal year.

**El Centro Regional Medical Center**  
An Enterprise Fund of the City of El Centro  
**Schedule of Prior Year Findings and Responses**  
Year Ended June 30, 2025

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None.



**TO:** HOSPITAL BOARD MEMBERS  
**FROM:** David Momberg, Chief Financial Officer  
**DATE:** Jun 29, 2026  
**MEETING:** Board of Trustees

**SUBJECT:** 2026 Annual Financial Audit Engagement Letter (Wipfli)

**BUDGET IMPACT:**  Does not Apply  
 Yes  No  
 A. Does the action impact/affect financial resources?  
 B. If yes, what is the impact amount: \_\_\_\_\_

**BACKGROUND:**

Hospitals complete annual financial audits to provide independent assurance that financial statements are accurate, reliable, and prepared in accordance with applicable accounting standards. These audits support transparency for the Board, regulators, lenders, bondholders, and other stakeholders, while also helping confirm compliance with grant, reimbursement, debt, and operational reporting requirements. For hospitals with outstanding bonds or other debt, audited financial statements are often required under bond covenants and continuing disclosure obligations to demonstrate financial condition, debt service capacity, and ongoing covenant compliance.

**DISCUSSION:** N/A

**RECOMMENDATION:** Approve engagement with Wipfli to conduct Financial Audit

**ATTACHMENT(S):**

- Wipfli Engagement Letter

Approved for agenda, Chief Executive Officer

Date and Signature: \_\_\_\_\_ *Pablo Velazquez*

June 16, 2026

David Momberg, CFO  
El Centro Regional Medical Center  
1415 Ross Ave  
El Centro, CA 92243

Dear David:

Wipfli LLP ("Wipfli") is pleased to serve as the independent auditors for El Centro Regional Medical Center ("Client") for the year ended June 30, 2026. This letter, together with the attached Wipfli LLP Professional Services Terms and Conditions, confirms the terms of our engagement and is collectively referred to herein as the "Letter" or the "Engagement Letter."

### Fees

Our fees and expenses for this engagement will be billed as work progresses, and progress billings may be submitted. Based upon our discussions with representatives of Client, the fee for this engagement will be \$86,850. Our fee has been determined based on our understanding obtained through discussions with you regarding your preparedness for the engagement and your current operations. To the extent we encounter circumstances outside of our expectations that warrant additional procedures and time, we will communicate that fact and advise you of options and the additional fees necessary to complete the engagement. We will also charge our actual direct travel expenses (if any) plus a technology and administration fee equal to six percent (6%) of our professional fees. We expect payment of our billings within 30 days after submission.

Our fees for the services described below are based upon the value of the services performed and the time required by the individuals assigned to the engagement. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Client personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then the fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred.

## Audit Scope and Objectives

We will audit the financial statements, and the disclosures, which collectively comprise the basic financial statements of Client, as of and for the year ended June 30, 2026.

The objectives of our audit are to obtain reasonable assurance as to whether the Client's financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether Client's financial statements are fairly presented, in all material respects, in conformity with GAAP. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they could influence the judgment of a reasonable user made based on the financial statements.

Accounting standards generally accepted in the United States of America ("GAAP") provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement Client's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Client's RSI in accordance with auditing standards generally accepted in the United States of America ("GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited.

## Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit includes an evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as an evaluation of the overall presentation of the financial statements, including the disclosures, to assess whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. To express an opinion, we are required to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or government regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

In performing our audit, we will consider and conclude whether, based on the audit evidence obtained, there are conditions or events, considered in the aggregate, which raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of cash, receivables, loan balances, and certain assets and liabilities by correspondence with selected customers, funding sources, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may submit an invoice for responding to this inquiry.

#### **Audit Procedures – Internal Control**

In the conduct of our audit, we will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control-related matters that are required to be communicated under professional standards.

#### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Client's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

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

Our audit will be conducted on the basis that management acknowledges and understands its responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with GAAP.

Management is also responsible for making available to us drafts of financial statements, all financial records, and related information and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). Management is also responsible for providing us with (1) access to all information of which it is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, management is responsible for identifying and ensuring that the government complies with applicable laws and regulations.

We cannot perform management functions or make management decisions on behalf of Client. However, we may provide advice and recommendations to assist management in performing its functions and fulfilling its responsibilities. We may advise management about appropriate accounting principles and their application, but the responsibility for the financial statements remains with management.

## Reporting

We will issue a written report upon completion of our audit of Client's financial statements. Our report will be addressed to those charged with governance. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report or, if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or withdraw from this engagement.

If Client intends to reproduce or publish these financial statements or any portion thereof, whether in paper or electronic form, subsequent to anticipated year-end filings, and make reference to our firm name in connection therewith, management agrees to provide us with proofs in sufficient time for our review and written approval before printing. If in our professional judgment the circumstances require, we may withhold our approval. Client agrees to compensate Wipfli for the time associated with such review.

Client acknowledges and agrees that any advice, recommendations, information, or work product provided to Client by Wipfli in connection with this engagement is for the sole use of Client and may not be relied upon by any third party. Wipfli has no liability or responsibility to any third parties as a result of this engagement.

**Management Assistance**

Assistance to be supplied by Client personnel, including the preparation of schedules and analysis of accounts, will be discussed with an authorized member of management or those charged with governance. Timely completion of this work will facilitate the completion of our engagement.

**Engagement Administration**

Professional and certain regulatory standards require us to be independent in both fact and appearance. Any discussions that you have with Wipfli personnel regarding employment could pose a threat to our independence. Therefore, we request that you inform us immediately prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

**Other Services**

We may prepare a draft of your financial statements and related notes. You will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

**Conclusion and Approval to Proceed**

If the terms above of this Engagement Letter are acceptable to you and the services outlined are in accordance with your requirements, please return a signed copy of this Letter to us.

We look forward to our continued association with you and your staff and appreciate the opportunity to serve you. Please do not hesitate to call us if you have any questions about the work we are to perform or any other aspect of the services we can provide.

*Wipfli LLP*

Wipfli LLP

ACCEPTED: EL CENTRO REGIONAL MEDICAL CENTER

By: \_\_\_\_\_

\_\_\_\_\_  
(Print Name and Title)

Date: \_\_\_\_\_

Wipfli LLP  
Professional Services Terms and Conditions

1. **Terms and Conditions and Related Engagement Documents**

These Wipfli LLP Professional Services Terms and Conditions (“Terms and Conditions”) apply to and govern Wipfli LLP’s provision of services to You. For the purposes of these Terms and Conditions, any reference to “Wipfli,” “We,” “Us,” “Our,” or similar is a reference to Wipfli LLP, and includes any subsidiaries or subcontractors of Wipfli LLP, and any reference to “Client,” “You,” or similar is a reference to the party or parties that have engaged Us to provide services, and the parties ultimately responsible for Our fees and expenses.

These Terms and Conditions may be appended to or incorporated into an engagement letter outlining the delivery of specific services by Us to You, and in that case such engagement letter and any appendices thereto and these Terms and Conditions form the entire agreement between You and Wipfli with respect to the services described therein, and supersede and merge all prior or contemporaneous agreements and understandings (oral or written) between or among the parties regarding the subject matter thereof, including prior proposals of Wipfli regarding the engagement or services, understandings, and agreements (oral or written) between the parties relating to the subject matter, including, without limitation, the terms of any request for proposal issued by Client or the standard printed terms on any purchase order issued by Client and any non-disclosure or confidentiality agreement between Wipfli and Client dated prior to the date of the engagement letter. No modification, amendment, supplement to, or waiver of these Terms and Conditions shall be binding upon the parties unless made in writing and duly signed by both parties. To the greatest extent reasonably possible, the provisions of these Terms and Conditions, any engagement letter, its appendices, any other exhibit, attachment, schedule, or other document referenced in or by the engagement letter, shall be read together and harmonized to give effect to the parties’ intent. In the event of a direct conflict among the express provisions of the foregoing, the engagement letter shall be given controlling effect. Notwithstanding the foregoing, where Wipfli provides services, support, and advice not covered by an engagement letter, these Terms and Conditions shall apply, including with respect to any such services, support, or advice performed or provided prior to the execution of an engagement letter related to those services.

2. **Change Orders**

Unless an engagement letter specifies otherwise, services that fall outside the agreed-upon scope of Wipfli’s engagement under any engagement letter shall be covered by a Change Order, or, if the nature and amount of such services are not material to the overall engagement, shall be delineated and included on Wipfli’s invoice for such services. A “Change Order” means a mutually agreed-upon change in the scope of work or services, schedule, or the time for Wipfli’s performance of the work or services under an engagement letter, or a change in the fees or the basis of the fees to be paid to Wipfli by Client, which is reduced to a writing that is executed or otherwise acknowledged by an authorized representative of each for Wipfli and Client. Services performed under a Change Order shall be subject to these Terms and Conditions.

3. **Commencement and Term**

Our engagement will commence when acceptance of these Terms and Conditions and any related engagement letter is delivered to Wipfli through execution thereof by a duly authorized representative of Client and shall continue until the services contemplated under the engagement letter are Complete (as reasonably determined by Wipfli), unless earlier terminated by either party as provided herein. Each person executing an engagement letter or Change Order on behalf of a party represents and warrants to the other that he or she has all power and authority to bind the party on whose behalf he or she is executing the same. For the purposes of this paragraph, “Complete” means the delivery by Wipfli of the report or other deliverables contemplated by the engagement letter, or where no deliverables are contemplated, three (3) months after the last date of services rendered by Wipfli with respect to the services at issue. Notwithstanding the foregoing, services, support, and advice provided by Wipfli in respect of an engagement after the termination of such engagement shall be governed by these Terms and Conditions.

4. **Termination of Services**

Wipfli’s services may be terminated as follows: (i) by either party immediately upon written notice to the other if either party hereto becomes the subject of voluntary or involuntary bankruptcy or other insolvency proceeding, (ii) by Wipfli or Client if either party defaults in the performance of any of its covenants and agreements and such default is not cured within thirty (30) days after notice from the other party specifying the nature of such default, and (iii) by Wipfli or Client with or without cause upon providing thirty (30) days’ written notice. Wipfli has the right to terminate services with immediate effect if We determine applicable professional standards require Us to do so, if Client does not in a timely manner provide Us with information reasonably requested by Us to perform the contemplated services, refuses to cooperate with Our reasonable requests for assistance in connection with the delivery of Our services, or misrepresents any material facts. Our withdrawal will release Us from any obligation to complete the services and will constitute

termination of Our engagement. Termination of Our engagement shall have no effect on either party’s obligation to pay any amount due and owing with respect to such periods prior to the effective date of such termination and Client agrees to compensate Us for Our time and out-of-pocket expenses through the effective date of termination.

5. **Fee Estimates and Expenses**

An engagement letter may set forth specific fee amounts, hourly rates, or certain ranges for Wipfli’s fees in respect of the services contemplated by the engagement letter. Where Wipfli provides an estimate of fees, Client acknowledges that Wipfli provides fee estimates as an accommodation to Client. These estimates depend on various assumptions, including without limitation: (a) anticipated cooperation from Client personnel; (b) timely responses to Our inquiries; (c) timely completion and delivery of Client assistance requests; (d) timely communication of all significant accounting and financial reporting matters; (e) the assumption that unexpected circumstances will not be encountered during the engagement; and (f) where applicable, the assumption that Client’s hardware platform/computer system will, at the commencement of the services, be fully operable as intended and designed, functioning as necessary and available to Wipfli without material restriction for the duration of the services. Unless otherwise indicated in an engagement letter, fee estimates shall not be construed as or deemed to be a minimum or maximum fee quotation. Although Wipfli reasonably believes suggested fee ranges are accurate, Wipfli’s actual fees may vary from its fee estimates.

Unless otherwise agreed in an engagement letter, a technology and administration fee of six percent (6%) of professional fees will be added to all invoices, along with any direct travel expenses incurred. The technology and administration fee is in lieu of other direct expenses and charges which might otherwise apply. Notwithstanding the foregoing, the cost of software and software licenses or subscriptions and similar miscellaneous tools provided or acquired specifically for Client or for Client’s use in connection with the performance of services may be invoiced separately.

6. **Payment of Fees and Expenses**

All invoices are due and payable within thirty (30) days of the invoice date. All business or commercial accounts will be charged interest at the lesser of one percent (1%) per month or the maximum rate permitted by law, except where prohibited by law, on the balance due to Wipfli that is outstanding over thirty (30) days. At Our discretion, services may be suspended if Client’s account becomes overdue and services will not be resumed until Client’s account is paid in full. Client acknowledges and agrees that We are not required to continue services in the event of a failure to pay on a timely basis for services rendered. Client further acknowledges and agrees that in the event Wipfli suspends or terminates services as a result of Client’s failure to pay as agreed on a timely basis for services rendered, Wipfli shall not be liable to Client for any damages that occur, whether direct or indirect, foreseen or unforeseen, and whether or not the parties have been advised of the possibility of such damages, and Client agrees to indemnify and hold Wipfli harmless against any such damages or claims.

7. **Engagement Staffing**

Wipfli expressly reserves the right to replace, in Our reasonable discretion, any of Our team members as necessary to provide quality and timely service to Client. From time to time, and depending upon circumstances, Wipfli may use third-party service providers, such as independent contractors, specialists, or vendors to assist Us in providing professional services. These parties and their personnel may be located within or outside the United States. We may also use personnel from other Wipfli-related entities (including Wipfli Advisory LLC and its wholly owned subsidiary based in India and its contractors in the Philippines). We remain responsible to Client for the supervision of all independent contractors, service providers, entities, and personnel who assist Us in rendering professional services hereunder and for protecting the confidentiality of Client information. Client hereby consents and authorizes Us to disclose Client information to the foregoing parties for the purpose of providing services to Client.

8. **Confidentiality, Information Security and Electronic Information Storage**

The performance of services by Wipfli may result in the parties having access to information that is confidential to one another, including, without limitation, source code, documentation, specifications, databases, system design, file layouts, tool combinations, development methods, or business or financial affairs, which may incorporate business methods, marketing strategies, pricing, competitor information, product development strategies and methods, customer lists, customer information, and financial results (collectively “Confidential Information”). Confidential Information may include information received from third parties, both written and oral, that each party is obligated to treat as confidential.

Confidential Information shall not include any information that (i) is already known by the receiving party or its affiliates, free of any obligation to keep it confidential; (ii) is or becomes publicly known through no wrongful act of the receiving party or its affiliates; (iii) is received by the receiving party from a third party without any restriction on confidentiality; (iv) is independently developed by the receiving party or its affiliates without the use of the

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disclosing party's Confidential Information; (v) is disclosed to third parties by the disclosing party without any obligation of confidentiality; or (vi) is approved for release by prior written authorization of the disclosing party.

Except as permitted hereunder and necessary for the performance of services hereunder, without the advance written consent of the other party or as required by law, regulation, legal process, or to comply with professional standards applicable to a party, neither party shall disclose to a third party Confidential Information of the other party. Each party agrees to maintain at least the same procedures regarding the Confidential Information of the other as it maintains with respect to its own Confidential Information. Each party may use the Confidential Information received from the other party only in connection with fulfilling its obligations under this agreement. The parties further agree that expiration or termination of this agreement, for any reason, shall not relieve either party, nor minimize their obligations with respect to Confidential Information, as set forth herein.

Wipfli will ensure that it maintains appropriate policies, procedures and safeguards to protect the confidentiality of Client Confidential Information. In addition, We will ensure that Our agreements with all third-party service providers contain appropriate provisions to protect Client Confidential Information. We may use electronic media to transmit Client Confidential Information, and such use in itself will not constitute a breach of any security or confidentiality obligation. Client acknowledges that Wipfli has no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted, notwithstanding all reasonable security measures employed by Us. You consent to Our use of electronic devices and applications in the delivery of Our services.

Wipfli is committed to protecting personal information that can be linked to specific individuals, including health information ("Personal Data"). Any Personal Data provided to Us by Client to receive Our services will be kept confidential and not disclosed to any third party not described above (parties providing Us assistance in rendering professional services) unless necessary to deliver services, expressly permitted by Client, or required by law, regulation, legal process, or to comply with professional standards applicable to Wipfli. Client is responsible for obtaining, pursuant to law or regulation, consents from parties that provided Client with their Personal Data which will be obtained, used, and disclosed by Wipfli to render services, and Wipfli may rely on the representation that Client has obtained such consents. Notwithstanding anything to the contrary, Client acknowledges that Wipfli may collect, use, and disclose certain administrative Personal Data (such as contact information and Internet activity) to administer the contract between the parties and in accordance with Wipfli's Privacy Statement (as applicable) available at [www.wipfli.com/privacy-statement](http://www.wipfli.com/privacy-statement).

9. **Intellectual Property Rights, Client Records, Wipfli Workpapers; Use of Deliverables and Drafts**

Wipfli acknowledges that all Client materials, data, or other information provided to Wipfli to permit Wipfli to perform services ("Client IP") belongs to and shall remain the property of Client. Client acknowledges that proprietary information, documents, materials, management techniques, and other intellectual property (collectively "Wipfli IP") are a material asset to Wipfli and source of services We perform for Client and others and were developed prior to performing services for Client. Client acknowledges that Wipfli LLP and/or Wipfli Advisory LLC or their affiliates (together "Wipfli Entities") owns all right, title and interest in Wipfli IP including enhancements thereto produced or developed by Wipfli throughout the duration of this engagement, excluding any pre-existing ownership right of Client and without implying any ownership interest in any Client IP, all of which shall remain the property of Client. Upon completion of the services and full payment by Client of all related invoices, the Wipfli Entities grant to Client a perpetual paid-up license to use or modify, for internal purposes only, any deliverable produced by Wipfli and actually delivered to Client (including embedded Wipfli IP), provided that any use or modification of such deliverable, other than for the purposes stated in the related engagement letter, is not authorized. In addition, Client shall not alter or remove any of the Wipfli Entities' trademarks, copyright registration marks, patent, or other intellectual property notices applicable to any of Wipfli Entities' goods, products, services, marketing material, or advertising media and shall not in any way alter any of the Wipfli Entities' products. Neither party shall acquire any right, title, or interest in or to the other party's code, data, business processes, or other information to which such party may have access during the term of the engagement hereunder. All such code, data, business process, and other information shall be solely and exclusively the property of the originating party.

Client's original documents, data, books, and records are the property of Client, and it is Client's responsibility to maintain all such materials. Wipfli has no responsibility to do so unless specifically undertaken by Wipfli in an engagement letter. Workpapers, documentation, and files created by Us in the course of providing services are the property of Wipfli. We will retain workpapers, documentation, and files pursuant to Our record retention policy. In the event We are required to respond to a subpoena, court order, government regulatory inquiry, or other legal process related to Client or its management (other than a matter in which Wipfli is named as a party) for the

production of workpapers, documents, files and/or testimony relative to information We obtained and/or prepared during the course of rendering services, We will, to the extent permitted by law and applicable professional standards, notify You of the matter, but You agree We have no obligation to You in the event We determine We are obligated to provide documents or other information. You agree to compensate Us for all time We expend in connection with such response, at Our regular rates, and to reimburse Us for all related out-of-pocket costs, including reasonable attorney's fees, that We may incur. Any services under this paragraph will be deemed a separate engagement subject to these Terms and Conditions.

Client agrees that Wipfli may use Client's name and logo in experience citations and in proposals, work product and deliverables provided or directed to Client pursuant to the engagement letter or otherwise. Notwithstanding any other provision of the engagement letter or these Terms and Conditions, and except as prohibited by law, Wipfli may use the information received under the engagement letter, including tax return information, in an aggregated and anonymized manner, to develop, enhance, modify and improve technologies, tools, methodologies, services and offerings, and/or for development or performance of data analysis or other insight generation. Information developed in connection with these purposes may be used or disclosed to You or current or prospective clients to provide them services or offerings. In no event will We use or disclose the information in a way that would permit Client to be identified by third parties without Client's express consent. With respect to tax return information, Client may request in writing a more limited use and disclosure than the foregoing. The foregoing consent is valid until further notice by Client.

10. **Third-Party Software, Technology Tools and Related Products and Limitations Thereon**

Wipfli may use software, technology tools, or related products ("Third-Party Products") to deliver services to Client. Where Wipfli uses Third-Party Products or is engaged to provide services related to the selection, implementation, or use of Third-Party Products, Wipfli will employ commercially reasonable efforts to research, learn, and assist Client in the selection, implementation, and use of such Third-Party Products. However, Wipfli shall not be held liable for any issues, errors, or malfunctions related to or arising from the Third-Party Products not directly caused by Wipfli's fraud or willful misconduct. Client acknowledges that Wipfli does not have control over the functionality, performance, or availability of Third-Party Products and cannot assure or make any representation that the Third-Party Products are free from defects, malware, viruses, trojan horses, and similar risks. Consequently, Wipfli disclaims any warranties or guarantees, express or implied, regarding the performance, reliability, or results obtained from the use of Third-Party Products, and Client acknowledges that the use of such Third-Party Products is subject to the terms of any end user agreement associated with each of the Third-Party Products and accepts such terms. Where Client is provided access to Third-Party Products by Wipfli, Client will: 1) use and access such Third-Party Products only for the purpose for which they were provided access; 2) not tamper with, modify, or alter such Third-Party Products; and 3) comply with all reasonable instructions from Wipfli in respect of such access.

11. **Allocation of Risk and Limitation of Liability**

In no event will Wipfli or Client be liable to the other for claims of punitive, exemplary, consequential, special, incidental, or indirect damages, whether or not a party was advised of the possibility of such damages, regardless of whether they were foreseeable, and regardless of whether such damages arise under a theory of contract, tort, strict liability, or otherwise. Wipfli's liability for all claims, damages, and costs of Client arising from Wipfli's services performed under an engagement letter, Change Order, or otherwise shall be limited to the amount of fees paid by Client to Wipfli for the specific services which give rise to the claim for damages or, in the case of services provided in respect of an engagement which spans a period of more than twelve (12) months, the fees paid by Client to Wipfli in the twelve (12) months preceding the event giving rise to the claim. The limitation of liability in the preceding sentence shall not apply in the event of Wipfli's fraud or willful misconduct or where disallowed by applicable law, regulation, or professional standards applicable to the services performed under these Terms and Conditions. Because Wipfli will rely on Client and its management for the accuracy of the representations made to Wipfli to perform services, and except where indemnity is disallowed by applicable law, regulation, or professional standards applicable to the services performed under these Terms and Conditions, Client holds harmless and releases Wipfli and its owners and employees from all claims, liabilities, losses, and costs of any kind arising which arise from: (i) a knowing misrepresentation, withholding, or concealment of information by Client or its management; or (ii) a wrongful act by Client or a member of Client's management or ownership group.

12. **Dispute Resolution; Choice of Law and Statute of Limitations**

If any dispute arises regarding the subject matter hereof or services provided by Wipfli to Client, and such dispute cannot be resolved through informal negotiations and discussions, prior to resorting to litigation, the parties will try in good faith to settle the dispute by non-binding mediation administered by

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the American Arbitration Association under its applicable rules for resolving professional accounting and related services disputes. Either party may request mediation, and costs of any mediation proceeding shall be shared equally. IN THE EVENT OF LITIGATION, WIPFLI AND CLIENT HEREBY AGREE NOT TO ELECT OR REQUEST A TRIAL BY JURY OF ANY ISSUE TRIABLE BY RIGHT OF JURY AND WAIVE ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH RESPECT TO THE SERVICES, THESE TERMS AND CONDITIONS, OR ANY CLAIM, COUNTERCLAIM, OR OTHER ACTION ARISING THEREWITH.

Client acknowledges and agrees that its sole and exclusive remedy with respect to any and all claims in respect of services rendered by Wipfli LLP shall be against Wipfli LLP and no other entity or person, including without limitation Wipfli Advisory LLC. In furtherance of the foregoing, Client hereby waives, to the fullest extent permitted under law, any and all claims and causes of action for any breach of contract, tort, or other claim against such other parties and each of their respective representatives arising under or based upon any legal theory, except in the event of common law fraud or intentional misconduct.

The parties agree that any dispute arising out of Wipfli's services or these Terms and Conditions shall be governed by the laws of the state of Illinois, without regard to conflict of laws principles. Except for an action by Us to collect payment of Our invoices, Wipfli and Client agree that no claim arising out of services rendered by Wipfli shall be filed after the earlier of the expiration of the applicable statute of limitations, or in the case of any report or deliverable issued by Wipfli under the engagement letter, no later than two years from the date of such report or deliverable (or if no report or deliverable is issued, two years from the date of any related engagement letter).

13. **Sanctions Compliance**

In connection with Wipfli's engagement to provide services, You represent, warrant and covenant as follows: (a) You are not located, ordinarily resident, or incorporated in any jurisdiction subject to comprehensive U.S. economic sanctions (currently, Cuba, Iran, North Korea, Crimea and Russia-occupied regions of Ukraine); (b) You are not and are not owned or controlled by or acting on behalf of or for the benefit of a person or entity subject to sanctions by the US, UK or EU, including any person designated on any sanctions lists; (c) You are not otherwise a person to whom a United States-based business is prohibited or restricted from providing services under applicable laws including sanctions and trade control laws; (d) You are not and are not owned or controlled by or acting on behalf of or for the benefit of a person or entity currently debarred, suspended, proposed for debarment, or otherwise excluded from participation in any federal, state, or local process, and (e) You will not violate or cause Wipfli to violate any applicable laws, whether criminal or otherwise, including anti-corruption, anti-money laundering laws, economic sanctions and trade control laws, in connection with the services provided by Wipfli. You further agree to promptly notify Wipfli in writing if You or any individual acting for You becomes subject to any such debarment or exclusion during the term of this engagement. Wipfli reserves the right to terminate this engagement immediately upon learning of any such debarment or exclusion.

14. **Regulatory Matters and Impact On Independence**

Where Wipfli is (a) providing services to an entity that is registered with the SEC or an affiliate of such registrant; or (b) providing services to an entity or affiliate that is subject to professional standards more stringent than those which exist under the AICPA Code of Professional Conduct, any provision of these Terms and Conditions which would be prohibited by such professional standards or deemed to impair Wipfli's independence relative to Client under such professional standards shall not apply to the extent necessary to avoid such prohibition or independence impairment, it being the intent of Wipfli and Client to ensure Wipfli and Client's compliance with applicable professional standards in respect of Wipfli's engagement by Client and to ensure, where appropriate and necessary, Wipfli's independence from Client.

15. **Certain Sales (and Similar) Tax Responsibilities**

To the extent applicable, Client shall pay and be solely and exclusively liable for all sales, use, ad valorem, excise, or other taxes or governmental charges imposed on the installation, implementation, licensure, or sale of goods or services by Wipfli or third parties to Client.

16. **Severability**

The provisions of these Terms and Conditions shall be severable, so that the invalidity or unenforceability of any provision will not affect the validity or enforceability of the remaining provisions; provided that no such severability shall be effective if it materially changes the economic benefit of these Terms and Conditions to either party.

17. **Independent Contractor Status and Non-Exclusivity**

The relationship between Wipfli and Client is solely and exclusively that of independently contracting parties. No right of exclusivity is granted, guaranteed, or implied by Wipfli by entry into an engagement letter or the

performance of services. Client acknowledges that Wipfli regularly performs the same or similar services as are being provided hereunder to third parties.

18. **Insurance**

Wipfli will carry and maintain in force at all times during the term of its engagement with Client appropriate insurance coverages, including policies covering professional liability errors and omissions, cyber liability, general liability, automotive liability, and worker's compensation.

19. **Notices**

All notices required to be given to either party hereunder shall be in writing and sent by email or traceable carrier to each party's address (including an email address) indicated on any engagement letter, or such other address as a party may indicate by at least ten (10) business days' prior written notice to the other party. Notices shall be effective upon receipt. A copy of such notice shall be provided to [wipfli-legal@wipfli.com](mailto:wipfli-legal@wipfli.com).

20. **Counterparts and Electronic Signatures**

Any document contemplated hereby may be executed in one or more counterparts, each of which will be deemed to be an original, and all of which, when taken together, will be deemed to constitute one and the same document. Each party hereto agrees that any electronic signature of a party to any document contemplated hereby is intended to authenticate such writing and shall be as valid and have the same force and effect, as a manual signature.

21. **Assignment**

These Terms and Conditions and related engagement letters and agreements shall be binding on the parties hereto and their respective successors and assigns. Neither party may make assignment thereof without the prior written consent of the other party, except that Wipfli may assign its rights and obligations hereunder without approval of Client to an entity that acquires all or substantially all of the assets of Wipfli or to any subsidiary, affiliate, or successor in a merger, acquisition, or change of control of Wipfli; provided that in no event shall such assignment relieve Wipfli of its obligations hereunder or under any applicable engagement letter.

22. **Force Majeure**

Either party may suspend (or, if such suspension continues for more than thirty (30) days, terminate) its obligations (except the obligation to pay for services previously rendered) hereunder or under any engagement letter or Change Order if such obligations are delayed, prevented, or rendered impractical or impossible due to circumstances beyond its reasonable control, including, without limitation, events generally understood to be "Acts of God."

23. **Alternative Practice Structure**

Wipfli LLP operates in an alternative practice structure with Wipfli Advisory LLC (and its respective subsidiary entities) in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. As part of that alternative practice structure, and in connection with this engagement, We will lease from Wipfli Advisory LLC certain of its professional and administrative staff. These individuals will be under the direct control and supervision of Wipfli LLP, which is solely responsible for the performance of Our engagement. Such professional staff are subject to professional standards and contractual agreements between Wipfli LLP and Wipfli Advisory LLC requiring confidential treatment of all client information. Wipfli Advisory LLC also maintains custody of the files relating to this engagement. By signing an engagement letter, You consent to Us sharing Your confidential information in connection with this engagement or prior engagements with Wipfli Advisory LLC.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms. In these Terms and Conditions, "Wipfli" means Wipfli LLP unless the context clearly indicates otherwise.

A private fund managed by New Mountain Capital holds an interest in Wipfli Advisory LLC. We will consider any financial interests held by New Mountain Capital in You or Your affiliates, or financial interests held by You or Your affiliates in New Mountain Capital, for purposes of evaluating Our independence pursuant to professional standards. You agree to disclose any such financial interest to Us prior to the commencement of Our work and, to inform Us immediately in writing should such a financial interest arise following the commencement of Our work or execution of this agreement.