



AGENDA REGULAR MEETING OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Wednesday, October 8, 2025 – 5:30 pm

El Camino Hospital | 2500 Grant Road Mountain View, CA 94040 | Sobrato Boardroom 1

THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION PORTION OF THE MEETING LIVE AT THE ADDRESS ABOVE OR VIA TELECONFERENCE AT: **1-669-444-9171, MEETING CODE: 937 2776 2150# No participant code. Just press #.**

To watch the meeting, please visit: [ECH Board Meeting Link](#)

Please note that the livestream is for **meeting viewing only** and there is a slight delay; to provide public comment, please use the phone number listed above.

NOTE: If there are technical problems or disruptions that prevent remote public participation, the Chair has the discretion to continue the meeting without remote public participation options, provided that no Board member is participating in the meeting via teleconference.

A copy of the agenda for the Regular Board Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at **(650) 988-3218** prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
1	CALL TO ORDER AND ROLL CALL	Bob Rebitzer, Board Chair	Information	5:30 pm
2	CONSIDER APPROVAL FOR AB 2449 REQUESTS	Bob Rebitzer, Board Chair	Possible Motion	5:30 pm
3	POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Rebitzer, Board Chair	Information	5:30 pm
4	PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for people to address the Board on any matter within the subject matter jurisdiction of the Board that is not on this agenda. Speakers are limited to three (3) minutes each.</i> b. Written Public Comments <i>Comments may be submitted by mail to the El Camino Hospital Board of Directors at 2500 Grant Avenue, Mountain View, CA 94040. Written comments will be distributed to the Board as quickly as possible. Please note it may take up to 24 hours for documents to be posted on the agenda.</i>	Bob Rebitzer, Board Chair	Information	5:30 pm
5	<u>BOARD ASSESSMENT RESULTS</u>	Dan Woods, CEO George Anderson, SpencerStuart Zach Morfin, SpencerStuart	Discussion	5:30 – 5:50
6	<u>BYLAWS UPDATE</u>	Don Watters Julia Miller Theresa Fuentes, CLO	Discussion	5:50 – 6:10
7	RECESS TO CLOSED SESSION	Bob Rebitzer, Board Chair	Motion Required	6:10

	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
8	FY2025 EXTERNAL AUDIT RESULTS AND BOARD DISCUSSION WITH AUDITOR <i>Gov't Code Section 54957(b) Report regarding personnel performance – Senior Management.</i>	Joelle Pulver, Baker Tilly Carlos Bohorquez, CFO	Discussion	6:10 – 6:30
9	LOS GATOS REDEVELOPMENT UPDATE <i>Health and Safety Code Section 32106(b) for a report and discussion involving healthcare facility trade secrets regarding new services or programs.</i>	Tracey Lewis-Taylor, COO Carlos Bohorquez, CFO	Discussion	6:30 – 6:40
10	APPROVE CREDENTIALING AND PRIVILEGING REPORT <i>Health & Safety Code Section 32155 and Gov't Code Section 54957 Report regarding personnel performance for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters.</i>	Mark Adams, MD, CMO	Motion Required	6:40 – 6:45
11	EXECUTIVE COMPENSATION ITEMS a. FY2025 ORGANIZATIONAL PERFORMANCE INCENTIVE PLAN SCORE b. EXECUTIVE COMPENSATION COMMITTEE REPORT <i>Gov't Code Section 54957(b) Report regarding personnel performance – Senior Management</i>	Dan Woods, CEO Deanna Dudley, CHRO	Discussion	6:45 – 7:15
12	EXECUTIVE SESSION a. FY2025 CEO ASSESSMENT RESULTS b. FY2026 CEO BASE SALARY AND RANGE c. FY2025 CEO PERFORMANCE INCENTIVE INDIVIDUAL SCORE d. GENERAL PERSONNEL MATTERS <i>No staff members in the room.</i> <i>Gov't Code Section 54957 Report regarding personnel performance – Chief Executive Officer</i>	Bob Rebitzer, Board Chair Wayne Doiguchi, Executive Compensation Committee Chair Dan Mayfield, SullivanCotter Paula Robinson, SullivanCotter	Discussion	7:15 – 7:50
	BREAK <i>(Chair to confirm final numbers from Agenda Item 12 and share with staff for accuracy in motions to follow)</i>			7:50 – 7:55
13	APPROVE MINUTES OF THE CLOSED SESSION OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS - Minutes of the Closed Session of the ECHB Meeting (09/17/25) <i>Report involving Gov't Code Section 54957.2 for closed session minutes.</i>	Bob Rebitzer, Board Chair	Motion Required	7:55 – 7:57
14	RECONVENE TO OPEN SESSION	Bob Rebitzer, Board Chair	Motion Required	7:57
15	CLOSED SESSION REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Gabe Fernandez, Governance Services Coordinator	Information	7:57 – 7:58
16	<u>APPROVE FY2025 CONSOLIDATED FINANCIALS, 403(b) RETIREMENT PLAN AND CASH BALANCE PLAN AUDIT REPORTS</u>	Bob Rebitzer, Board Chair	Motion Required	7:58 – 7:59

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	AGENDA ITEM	PRESENTED BY	ACTION	ESTIMATED TIMES
17	<u>APPROVE FY2025 ORGANIZATIONAL PERFORMANCE INCENTIVE PLAN SCORE</u>	Bob Rebitzer, Board Chair	Motion Required	7:59 – 8:00
18	REPORT OF RECOMMENDATION FOR FY2026 CEO BASE SALARY - Approve FY2026 CEO Base Salary	Bob Rebitzer, Board Chair	Motion Required	8:00 – 8:01
19	REPORT OF RECOMMENDATION FOR FY2025 CEO PERFORMANCE INCENTIVE PLAN PAYOUT - Approve FY2025 CEO Performance Incentive Plan Payout	Bob Rebitzer, Board Chair	Motion Required	8:01 – 8:02
20	CONSENT CALENDAR ITEMS: a. <u>Approve Hospital Board Open Session Minutes (09/17/25)</u> b. <u>Approve Policies, Plans, and Scope of Services as Reviewed and Recommended for Approval by the Medical Executive Committee</u> c. <u>Receive FY26 ECHB Pacing Plan</u> d. <u>Receive Period 2 Financials</u>	Bob Rebitzer, Board Chair	Motion Required	8:02 – 8:03
21	<u>CEO REPORT</u>	Dan Woods, CEO	Information	8:03 – 8:08
22	BOARD ANNOUNCEMENTS	Bob Rebitzer, Board Chair	Information	8:08 – 8:12
23	ADJOURNMENT	Bob Rebitzer, Board Chair	Motion Required	8:12

NEXT MEETINGS: November 12, 2025; December 10, 2025; February 11, 2026; March 18, 2026; May 13, 2026; June 17, 2026



EL CAMINO HOSPITAL BOARD OF DIRECTORS MEETING MEMO

To: ECH Hospital Board of Directors
From: Theresa Fuentes, Chief Legal Officer
 Anne Yang, Executive Director, Governance Services
Date: October 8, 2025
Subject: FY25 Board and Committee Assessments Results

Purpose:

Review the results of the FY25 Board and Committee Assessment as presented by Spencer Stuart, an outside consulting firm. The results are presented for discussion first to the Governance Committee on September 15, 2025, followed by the ECH Board of Directors on October 8, 2025.

Summary:

This year's surveys were launched on August 18 and closed on September 3. There were three separate quantitative surveys, 1) ECH Hospital Board of Directors, 2) ECH Hospital Board Advisory Committees, and for the first time, 3) ECH Medical Network Board of Managers. SpencerStuart also conducted 1:1 qualitative interviews with the ten ECH Hospital Board Directors.

At the direction of leadership and the Governance Committee, SpencerStuart updated the assessment process this year:

- Shift to biennial frequency (ECH will conduct a separate survey in alternate years)
- Include both quantitative survey and qualitative one-on-one interviews
- Refine qualitative survey questions to fewer, more robust questions
- Refine interview questions
- Include Medical Network Board of Managers

Outcomes:

This year, there was close to 100% participation across the boards and committees, providing feedback on various aspects of board and committee effectiveness. Overall, the assessment confirms that the ECH board is performing effectively and is well-aligned with the organization's strategic priorities. Key strengths include effective board leadership, unified strategic focus, commitment to continuous improvement, and collegial culture. The assessment also identifies key opportunities for continuous improvement to further support ECH's strategy.

Next Steps:

In the next few weeks, SpencerStuart will meet with each director to complete the individual director feedback conversations. By the end of the year, each advisory committee will also have the opportunity to review and discuss its assessment results. The Governance Committee will also have the opportunity to discuss an action plan for the board.

List of Attachments:

1. Board Assessment Results – Executive Summary

SpencerStuart

El Camino Health Board Effectiveness Report

Prepared for:
Board of Directors
El Camino Health

Prepared by:
George Anderson
Zach Morfin
Meng Li
Barbara Cardona

October 2025



Executive Summary

Executive Summary: Purpose and Approach

Purpose of Board Review

The El Camino Health (ECH) Board of Directors engaged Spencer Stuart in June 2025 to undertake an in-depth review of its effectiveness. The purpose was to assist the board and committees in continuing to improve the governance of the health system and support its long-term success. The board's commitment to its own continuous improvement is evident in its engagement of a third-party advisor to support its annual evaluation. It is also a reflection of the board's dedication to the hospital, its stakeholders, and management.

Board Review Approach

ECH's 2025 board and committee review process has been updated to reflect several changes, as directed by the board:

- » Shift to biennial frequency
- » Include both quantitative survey and qualitative one-on-one interviews
- » Refine quantitative survey questions to fewer, more robust questions
- » Refine interview questions
- » Include Medical Network Board of Managers

In August – September 2025, Spencer Stuart conducted one-on-one interviews with all directors (10) and the CEO. The conversations explored a range of topics related to the board's structure, effectiveness, and strategic priorities. Participants reflected on the board's current strengths and opportunities for improvement and offered candid perspectives on areas such as board composition and committee structure, boardroom dynamics and culture, the quality of engagement between directors and management, the cadence and focus of meetings, and leadership succession. All participants demonstrated thoughtful preparation and candor in these interviews.

In parallel, Spencer Stuart administered an online board effectiveness survey to all 10 directors, the Medical Network Board of Managers, and members of the Board Advisory Committees, in August – September 2025. The results of the Hospital Board Survey are presented on an unattributed basis in this report, starting on page 32.

The board will discuss this report at its meeting on October 8, 2025.

Individual director feedback will be provided in confidential conversations following the October board meeting.

Executive Summary: Context and Recommendations

Context

ECH directors are focused on advancing the organization's growth and integration strategy in a highly competitive healthcare market. Strategic priorities include growing and integrating the ECH-affiliated physician network, investing in outpatient care, and rebuilding the Los Gatos campus to support a more integrated delivery model. The board is committed to maintaining ECH's independence while scaling its physician network and facilities to remain competitive with regional systems. Directors emphasize the importance of staying true to ECH's nonprofit mission while navigating these strategic imperatives.

Overall, directors view the ECH board as performing effectively, particularly in areas such as:

- » **Strong board leadership:** The Chair is praised for steady, neutral facilitation that promotes order and elevated discussion, contributing to a well-functioning board.
- » **Unified focus on growth:** Directors are aligned around the organization's ambitious growth plan, reinforcing their role in guiding its execution while staying true to the nonprofit mission.
- » **Evolving governance and continuous improvement:** Directors highlight the board's disciplined evolution, with improved facilitation, streamlined materials, and a strong commitment to oversight and strategic focus.
- » **Collegial and professional culture:** Board interactions are marked by mutual respect and openness, fostering constructive dialogue and a friendly, more effective boardroom environment.

Recommendations

With this context and insight gleaned through the interviews, survey, and document review, Spencer Stuart recommends actions in the following areas:

- 1. Align board composition with future needs and strategic direction**
 - » Clarify district board term limits, use the skills matrix to identify gaps, and align board profiles with evolving priorities to guide long-term board composition and strengthen succession planning.
- 2. Strengthen oversight of CEO succession planning**
 - » Establish a regular cadence for CEO succession updates, maintain written plans and emergency protocols, and use executive sessions to align board expectations and reinforce oversight.
- 3. Improve focus, flow, and engagement in board meetings**
 - » Continue to prioritize strategic dialogue in board agendas, streamline materials and report-outs for clarity and preparation, and use inclusive facilitation to encourage broad participation.
- 4. Clarify Board Chair succession process**
 - » Initiate Chair succession planning within the Governance Committee, define future Chair profile, and align on transition timing and process.
- 5. Elevate strategic focus and execution oversight**
 - » Reduce report-outs, keep board discussions strategic, and clarify when issues require full-board input (vs. committee).
- 6. Complete individual director feedback**

Executive Summary: What We Heard

Please see the Interview Findings (page 16), for additional detail in each area.

Governance Dimension

Key Takeaways

Overall Assessment	<ul style="list-style-type: none"> Directors describe the board as effective overall and well-prepared with increasingly healthy dynamics and continuous improvement in the quality of board dialogue.
Strategy and Risks	<ul style="list-style-type: none"> Directors prioritize accelerated growth through physician partnership expansion and outpatient expansion, while also focusing on campus renewal and workforce sustainability. Directors call for focus on execution discipline, citing the need for clear KPIs, physician leadership, and robust infrastructure (particularly in IT).
Board Size and Composition	<ul style="list-style-type: none"> While acknowledging constraints on the board's ability to change its mix of skills, directors see opportunities to enhance expertise in areas such as real estate, capital delivery, payer systems, and M&A.
Board Culture and Working Dynamics	<ul style="list-style-type: none"> Directors describe an increasingly healthy culture, with stronger working relationships and more candid conversations. Some noted room to draw out quieter voices and ensure discussions remain focused and at a board level. Directors also emphasize the importance of follow-through from management in response to board feedback.
Board Leadership	<ul style="list-style-type: none"> Directors widely praise the Chair's facilitation and ability to elevate board dialogue while maintaining order and professionalism.
Relationship to CEO and Management	<ul style="list-style-type: none"> Directors describe the board-CEO relationship as strong, grounded in mutual respect and productive collaboration. Management interactions are generally constructive, with a few exceptions, and some opportunities to reinforce a culture of openness and mutual respect.
CEO and Leadership Succession Planning	<ul style="list-style-type: none"> Directors reported limited discussion at the board level regarding CEO and executive succession planning, Progress has been made on emergency succession plans, and a likely successor has been identified.
Board Meetings	<ul style="list-style-type: none"> Directors noted that meetings are more focused and efficient, with clearer agendas and improved facilitation under the Chair's leadership. Some expressed concern that limited time and uneven participation can constrain deeper strategic discussion.
Committees and the ECHMN	<ul style="list-style-type: none"> The committees are viewed as high-functioning and well-led, with thoughtful oversight and strong collaboration with management. Directors highlighted the need for improved information flow between the board and committees to support decision-making across increasingly complex operations.

Executive Summary: Board Strengths

There is strong alignment among directors on what is working well on the board today.

Unified Board Focus on Growth

The board is unified in its support of the organization's growth plan. This alignment reflects a clear understanding of growth as a top institutional priority and reinforces the board's role in overseeing its execution.

- *The priority is the future and growth – how we do it – while staying true to a nonprofit mission.*
- *We have the biggest growth plan in the hospital's history; the board needs to stay on track.*

Evolving Board Effectiveness and Continuous Improvement

The board has made substantial strides in its governance effectiveness, evolving towards a more disciplined and engaged body. More effective facilitation, streamlined materials, and stronger norms have enabled better focus on oversight and strategy, positioning the board for continued growth.

- *Year over year, the board is noticeably more organized and effective and less mired in internal politics.*
- *This board is committed to self-improvement more than most boards.*

Collegial and Professional Board Culture

A professional and collegial tone now defines most board interactions. Directors operate with mutual respect, enabling more open conversation and reinforcing a strong foundation for board effectiveness.

- *The culture is open, collegial, and professional; on rare occasions, a member becomes more passionate but never aggressive.*
- *The boardroom is friendlier now; directors ask hard questions in a respectful, non-accusatory way.*

Effective Board Leadership

The Chair is recognized for providing clear, steady leadership that promotes order, focus, and constructive dialogue. His neutral and diplomatic facilitation style supports productive discussions while reinforcing a respectful and well-functioning board environment.

- *The Chair is neutral and effective and has pushed back on unproductive behavior.*
- *Bob is a game changer. He understands the industry and is a facilitator who has made management's life easier with elevated dialogue and structure.*

Executive Summary: Highest and Lowest Rated Items

The following table highlights the highest and lowest rated items from the 2025 survey.

Highest Rated	Scale: 1 (lowest) to 4 (highest)	2025	2024
Fundamental Oversight			
• The board understands ECH's mission and purpose.		3.8	3.4
• The board effectively oversees quality, safety, and patient experience.		3.6	3.5
Relationship with Management			
• The board has an effective working relationship with the Chief Executive Officer.		3.6	3.5
Board Meetings, Agendas and Information			
• Board meetings are effective and outcomes-driven.		3.6	3.3
• The board chair facilitates productive discussion in the boardroom.		3.6	3.7
Fundamental Oversight			
• The board understands its fiduciary responsibilities and makes reasonable efforts to reduce potential legal risks related to its oversight of the organization.		3.6	-
Lowest Rated			
Relationship with Management			
• Board members and the management team are respectful to each other.		2.8	3.2
Board Culture and Dynamics			
• Board members exhibit a willingness to challenge traditional thinking.		2.9	3.6
Board Composition and Competencies			
• The mix of tenure among board members balances new perspectives with experience and continuity.		2.9	3.3
• The process for selecting and appointing board members is effective.		3.0	3.0
Relationship with Management			
• Board members conduct oversight without interfering inappropriately in management responsibilities.		3.1	-



EL CAMINO HOSPITAL BOARD OF DIRECTORS MEETING MEMO

To: El Camino Hospital Board of Directors
From: Theresa Fuentes, Chief Legal Officer
Date: October 8, 2025
Subject: Review of El Camino Hospital Bylaws

Purpose: To obtain the Hospital Board's input on the proposed revisions to the El Camino Hospital Bylaws. Final revisions will be brought back to the Hospital Board for approval at a later meeting, and such revisions will take effect upon subsequent approval by the El Camino Healthcare District Board.

Summary:

The Governance Committee Charter tasks the Governance Committee with providing for regular review of the Hospital's Bylaws. The Bylaws were last amended in October 2018.

The El Camino Hospital Board appointed an ad hoc committee to review the Bylaws in conjunction with the Chief Legal Officer. The ad hoc committee consisted of Directors Julia Miller and Don Watters. The ad hoc committee proposed edits as indicated on the attached redline. These edits were reviewed by the Governance Committee in June 2025, and the Governance Committee's comments are noted below.

There were a number of clean up revisions to clarify terms such as Corporation's Board vs. District Board, and edits needed for Brown Act compliance. These are summarized on Attachment 2. In addition, the following key substantive changes have been proposed:

Article IV - Term Limits

The current Bylaws create ambiguity regarding director term limits. The plain language of the current Bylaws indicates that all ten directors on the hospital board, whether or not they are district board members, are subject to term limits on the hospital board. Without revision, some current district board members will be termed out of the hospital board, beginning in 2026. Because there are currently no term limits on the district board, the current structure could result in district board members being elected to the district board but not being able to serve on the hospital board due to the hospital board's term limits. (As an aside, the district board is also reviewing its bylaws and plans to discuss the separate concept of term limits for district board members, which requires voter approval).

Given the above, the proposed revision to the Bylaws creates two categories of directors. Category 1 applies to the district board directors who will have no term limits and can serve on the hospital board for as long as they are district board directors. Category 2 applies to all other hospital board directors who will continue with the term limits and structure currently in place, which is four (4) three (3) year terms. Attachment 3 illustrates the term limits that are currently in effect and the changes that would take place if the proposed revised bylaws are approved.

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Overall, the Governance Committee members expressed the opinion that term limits are healthy and necessary for good governance, and that a 12-year term limit is appropriate. Some members thought that the same term limits on the hospital board should apply to all directors, including district directors. Others recognized the challenges of achieving term limits for district directors through a ballot measure.

Article IV – Removal

The current Bylaws provide for removal of a board director with or without cause upon majority vote of the sole member (the district). The ad hoc committee originally requested a revision to delete the ability to remove without cause and impose a 4/5 vote for removal, but upon further review, those changes were not made in compliance with California Corporations Code section 5222, which states that directors of a nonprofit public benefit corporation may be removed without cause upon majority vote of the member. However, edits are proposed to identify categories of items that constitute “for cause” removal.

Article VIII - Officers

The current Bylaws require that the office of the Secretary and Treasurer be held by the same person. The proposed revisions remove this requirement and state that the Chief Financial Officer will be the Treasurer unless the Board, considering recommendations from the CEO, appoints a separate individual to serve as Treasurer.

The proposed revisions also add the ability for the Board of Directors, by a majority vote, to extend the Chairperson’s term for one additional two-year term if the Board, in its good-faith business judgment, determines it to be in the best interests of the company.

The proposed revisions also require a two-thirds vote instead of the existing majority vote to remove an officer.

Some members of the Governance Committee questioned why there would be a change to the two-thirds vote requirement as the default is typically a majority vote. There were no other substantive comments on the proposed revisions in this section.

Attachment(s):

1. Summary of Changes
2. Term Limits Chart illustrating Category 1 and Category 2 membership
3. DRAFT Redlined ECHB Bylaws

Summary of Proposed Bylaws Changes October 8, 2025

Summary of Proposed Bylaws Changes (Generated with Assistance of AI Tool)

Overall Assessment

The proposed revisions to the El Camino Hospital bylaws are designed to address several governance issues: clarifying ambiguities, aligning with legal requirements (California Corporations Code and the Brown Act), and adapting governance structures to the unique relationship between the El Camino Hospital Board and its sole member, the El Camino Healthcare District. The most significant changes revolve around director term limits, director removal, and officer roles/terms.

Analysis of Key Substantive Revisions

1. Article IV - Director Term Limits

- **The Change:** The bylaws are being amended to create two distinct categories of directors for term limit purposes:
 - **Category 1 (District Directors):** The five members of the District Board will have **no term limits** on the Hospital Board. They can serve as long as they remain on the District Board.
 - **Category 2 (Appointed Directors):** The up to five appointed directors will continue to have term limits of four (4) three (3) year terms.
- **Rationale:**
 - **Resolves a Major Conflict:** This change directly addresses the core problem identified: a publicly elected District Board member could be termed out of the Hospital Board while still serving on the District Board. This revision ensures that anyone elected to the District Board can fully serve their ex officio role on the Hospital Board.
 - **Continuity:** It provides a stable core of leadership from the District Board, ensuring alignment between the sole member and the Corporation.
- **Considerations:**
 - **Creates a Two-Tier System:** May impact ability to ensure cohesive culture with two different categories of directors.
 - **Governance Best Practices:** In general, term limits are good governance. There may be risks associated with a lack of term limits on the hospital board for Category 1 directors, such as stagnation or resistance to new ideas.

2. Article IV - Removal of Directors

- **The Change:** While the ability for the sole member (the District) to remove a director "with or without cause" by a majority vote is retained (as required by law), the bylaws now add a specific, non-exhaustive list of what constitutes "cause."
- **Rationale:**

Summary of Proposed Bylaws Changes

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- **Clarity and Due Process:** Defining "cause" provides clear expectations for director conduct and a transparent framework if a for-cause removal is ever considered. This protects both the Corporation and the individual director by setting objective standards.
- **Legal Compliance:** Keeping the "without cause" provision allows compliance with legal requirements and with good governance practices.

3. Article VIII - Officers

This article contains three distinct changes:

- **A. Separation of Secretary and Treasurer:**
 - **The Change:** The requirement for the Secretary and Treasurer to be the same person is removed. The CFO will now serve as Treasurer by default, unless the Board appoints someone else considering recommendations from the CEO.
 - **Considerations:** This is a standard good-governance practice. It separates duties, improves internal controls, and distributes the workload more appropriately.
- **B. Extension of Chairperson's Term:**
 - **The Change:** The Board can, by a majority vote, extend the Chairperson's term for one additional two-year term if it is deemed in the "best interests of the Corporation."
 - **Rationale:** This provides flexibility. If the hospital is in the middle of a major strategic initiative, capital campaign, or leadership transition, retaining an effective Chairperson for an extra term could provide critical stability.
 - **Considerations:**
 - **Subjectivity:** The phrase "best interests of the Corporation" could be subjective.
 - **Succession Planning:** May weaken succession planning if used frequently.
- **C. Removal of an Officer:**
 - **The Change:** The vote required to remove an officer is increased from a simple majority to a **two-thirds (2/3) vote** of the Board.
 - **Rationale:** This could provide greater stability for officers, protecting them from removal based on a narrow, transient majority or a single contentious issue. It forces a broader consensus for such a significant action.
 - **Considerations:**
 - **Accountability:** As noted by the Governance Committee, this is a significant change. Does raising the threshold to 2/3 make it too difficult to remove an underperforming or ineffective officer? A simple majority is the standard for most board actions.
 - **Potential for Gridlock:** Could allow a small minority of the board to block the necessary removal of an officer.

Summary of Proposed Bylaws Changes October 8, 2025

Brown Act Compliance and "Clean Up" Revisions

- **Prohibition of Action Without a Meeting (Sections 3.11 & 6.6)**
 - **For the Sole Member (3.11):** The ability for the sole Member (the District Board) to take action via written consent has been eliminated. The new rule states, "No action can be taken by the sole Member without a meeting."
 - **For the Corporation's Board (6.6):** Similarly, the provision allowing the Corporation's Board to take action via unanimous written consent has been removed. All Board actions must now occur during a duly called meeting.
- **Prohibition of Proxy Voting (Section 3.9)**
 - The provision allowing the sole Member to vote by proxy has been removed. The new bylaw explicitly states, "There shall be no voting by proxy," requiring all members of the District Board to vote in person at a meeting, as required by the Brown Act.
- **CEO Attendance in Executive Session (Section 9.3(f))**
 - The amendment clarifies the authority and duty of the CEO **to attend all meetings, including executive sessions**, except where the CEO has a conflict of interest or is otherwise recused.
- **Quorum Rules for Board Meetings (Section 6.7)**
 - The language allowing a meeting to continue transacting business if a quorum is broken (i.e., directors leave mid-meeting) has been removed. Now, if the number of directors present drops below a quorum, the Board **may not continue to transact business**, except to adjourn, as required by the Brown Act.
- **Terminology and Consistency**
 - **"Appoint" vs. "Elect":** Throughout the document, the terms "elect" and "election" have been consistently changed to **"appoint"** and **"appointment"** when referring to the sole Member's selection of directors (e.g., Articles IV and V).
- **Clarifications and Modernization**
 - **Remote Meetings (6.4):** The language for remote meetings was updated from "conference telephone" to include "other electronic or similar communication equipment" and explicitly references compliance with the Ralph M. Brown Act.
 - **Establishment of Board Committees (7.1):**
 1. Size Limitation Added to clarify that Board committees shall consist of two (2) or more Directors, but **"less than a quorum of either the Corporation's Board or the District's Board."**

Summary of Proposed Bylaws Changes October 8, 2025

- **Ad Hoc Advisory Committees (7.6):**
 1. Clarification that the Board or any Board Committee Chair may establish an ad hoc advisory committee. A resolution is no longer needed.
 2. The scope of an ad hoc advisory committee's work is now defined as matters within the jurisdiction of the Board or Board Committee vs matters within "advisory committee's charter as adopted by the Board."
 3. Similar to Section 7.1, advisory committees must now be composed of "less than a quorum of the Board or the relevant Board Committee." The ad hoc committee may also consult with advisors as appropriate.
 4. Removal of Redundant Language: Several sentences detailing the contents of the charter and the Chairperson's ability to serve on the committee were removed.
- **Chairperson Term Limits (8.3):** The text now clarifies that a partial term served by a Chairperson filling a vacancy counts toward their two-term limit.
- **Conflict of Interest Policy (11.1):** The requirement to physically attach the conflict of interest policy to the bylaws was removed. The Board is now required to "adopt and adhere to" the policy as a separate document.
- **Meeting Locations (3.1):** The location for member meetings was clarified to be within the "El Camino Healthcare District's jurisdiction" for Brown Act compliance.
- **Formatting and Administrative Updates**
 - **Renumbering/Re-lettering:** Several sections (e.g., 4.3, 14, 15) have had their subsections re-lettered or re-numbered for proper formatting.
 - **Table of Contents:** The Table of Contents has been updated to reflect new page numbers resulting from the amendments.
 - **Dates:** The effective date on the cover page and in the Certificate of Secretary has been updated.

Term Limit Chart
October 8, 2025

Term Limit Chart Implementing Proposed Bylaws Revision for ECHB

Category 1 –El Camino Healthcare District Board Directors

(These directors serve four (4)-year terms coinciding with voter election. Proposal to eliminate the term limits (note: term out time under current bylaws is longer for some directors due to grandfathering of prior versions of bylaws).

Name	First Full Term	Second Term	Third Term	Fourth/Fifth Term	Termed Out Current Bylaws	Termed Out Proposed New Bylaws
Fung	Dec. 2014	Dec. 2018	Dec. 2022		Dec. 2026	None
Zoglin	Dec. 2008	Dec. 2012	Dec. 2016	Dec. 2020 Dec. 2024	Dec. 2028	None
Miller	Dec. 2012	Dec. 2016	Dec. 2020	Dec. 2024	Dec. 2028	None
Ting	Dec. 2018	Dec. 2022	Dec. 2026		Dec. 2030	None
Somersille	Dec. 2020	Dec. 2024	Dec. 2028		Dec. 2032	None

Category 2 – Not Serving on El Camino Healthcare District Board

(These directors serve four (4) three (3)-year terms)

Name	First Full Term	Second Term	Third Term	Fourth Term	Termed Out Current Bylaws	Termed Out Proposed New Bylaws
Chen	July 2015	July 2018	July 2021	July 2024	June 2027	June 2027
Rebitzer	July 2017	July 2020	July 2023	July 2026	June 2029	June 2029
Po	July 2019	July 2022	July 2025	July 2028	June 2031	June 2031
Watters	July 2021	July 2024	July 2027	July 2030	June 2033	June 2033
Doiguchi	July 2023	July 2026	July 2029	July 2032	July 2035	July 2035

**AMENDED AND RESTATED BYLAWS
OF
EL CAMINO HOSPITAL
ADOPTED
DECEMBER 7, 2005
AS AMENDED AND RESTATED**

~~October 16,~~ _____, 2025

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ARTICLE I Corporate Offices

1.1 Principal Office. The principal office of El Camino Hospital, a nonprofit public benefit corporation (the “Corporation”), is located in Mountain View, California. The Corporation may have such other offices as the Board of Directors of Corporation (the “Board” or the “Corporation’s Board”) may determine from time to time.

1.2 Registered Office. The address of the registered office of the Corporation is 2500 Grant Road, Mountain View, California 94040.

ARTICLE II Purposes, Powers and Membership

2.1 Purposes. The purposes of the Corporation are set forth in its Articles of Incorporation (the “Articles”).

2.2 Powers. The Corporation may engage in any activity consistent with the Articles and these Bylaws.

2.3 Membership Corporation. The Corporation shall have one voting Member: El Camino Healthcare District, a political subdivision of the State of California (the “sole Member”). The Corporation shall have no other voting members.

2.4 Exempt Activities. Notwithstanding any other provision of these Bylaws, no director, officer, employee, or representative of the Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and regulations promulgated thereunder as they now exist or as they hereafter may be amended, or by an organization contributions to which are deductible under Section 170(c) of such Code and Regulations as they now exist or as they hereafter may be amended.

2.5 Termination of Membership. The membership of the sole Member shall terminate upon the resignation of the sole Member.

ARTICLE III Meetings of the Sole Member

3.1 Place of Meetings. Meetings of the sole Member shall be held at any place within or outside the boundaries of the El Camino Healthcare District’s jurisdiction State of California, designated by the Board of Directors of the sole Member (the “District Board”). In the absence of any such designation, meetings of the sole Member shall be held at the principal executive office of the Corporation.

3.3.2 Annual Meeting. The sole Member shall conduct meetings and exercise its membership rights through its own District Board. —There shall be at least an annual meeting of

Commented [TF1]: Revisions necessary to reflect District’s compliance with Brown Act.

Commented [TF2]: To be consistent with term used in 1.1

Commented [TF3]: To clarify that the District acts through the District’s own board

the sole Member held each year. The Board ~~of the sole Member~~ shall provide for the time and place of holding the annual meeting ~~and notify the sole Member~~ as provided in Section 3.3. ~~At a meeting of the sole Member~~the annual meeting, directors shall be elected as required by these Bylaws, reports of the affairs of the Corporation shall be considered, and any other business may be transacted that is within the power of the sole Member.

Commented [TF4]: Minimum meeting requirement for sole member is annual, but District meets more frequently

Commented [TF5]: District Board sets its own meeting calendar

3.43.3 Notice of Annual Meeting. Written notice of ~~the each~~ annual meeting of the sole Member shall be given to the sole Member entitled to vote, either personally, or by mail, or electronic communication, or by other means of written communication, with charges prepaid, addressed to the sole Member at the sole Member's address appearing on the books of the Corporation or given by the sole Member to the Corporation for the purpose of notice.

All such notices shall be given to the sole Member entitled to the notice by mail or other means of written communication not less than ten (10) days (or, if sent by mail other than first-class, registered, or certified mail, twenty (20) days) nor more than ninety (90) days before each annual meeting. Any such notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by other means of written communication. An affidavit of giving of any such notice in accordance with the foregoing provisions, executed by the Secretary or any transfer agent of the Corporation, shall be *prima facie* evidence of the giving of the notice.

The notice of the meeting shall specify:

- (a) the place, date, and hour of the meeting;
- (b) those matters which the Board, at the time the notice is given, intends to present for action by the sole Member;
- (c) if directors are to be elected, the names of all those who are nominees at the time the notice is given;
- (d) the general nature of a proposal, if any, to take action when approval of the sole Member is required with respect to (i) removal of directors without cause; (ii) the filling of vacancies on the Board; (iii) amendment of the Articles or these Bylaws; (iv) voluntary merger or dissolution of the Corporation; or (v) disposition of all or substantially all of the assets of the Corporation; and
- (e) such other matters, if any, as may be expressly required by law.

3.53.4 Special Meetings. A special meeting of the sole Member for any lawful purpose or purposes may be called at any time by: ~~(a) the Chairperson of the Corporation's Board; (b) or by three (3) members of the Corporation's Board; (c) the Chairperson of the sole Member; or (d) two (2) members of the District Board.~~ In addition, a special meeting of the sole Member for the purpose of removal of directors and election of their replacements may be called by the sole Member.

Commented [TF6]: To clarify that the District as well as the Hospital Board can call a special meeting for any reason, not just election and removal of board members, and to specify who can call the meeting

3.63.5 Notice of Special Meetings. Upon request in writing that a special meeting of the sole Member be called, directed to the Chairperson, Vice Chairperson, or Secretary, by any person

(other than the Corporation's Board of Directors) entitled to call a special meeting of the sole Member, the officer forthwith shall cause notice to be given to the sole Member that a meeting will be held at a time fixed by the Corporation's Board, not less than thirty-five (35) nor more than ninety (90) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the persons entitled to call the meeting may give the notice. Notice of any special meeting of the sole Member shall be given in the same manner as for annual meetings of the sole Member. In addition to the matters required by Section 3.3(a) and, if applicable, Section 3.3(c) of these Bylaws, notice of any special meeting shall specify the general nature of the business to be transacted, and the fact that no other business may be transacted at the meeting.

3.73.6 Quorum. The presence in person or by proxy of a majority of the District Board ~~the sole Member~~ shall constitute a quorum of the sole Member for the transaction of business. Any meeting of the sole Member may be adjourned from time to time by the sole Member.

Commented [TF7]: No proxy voting for Brown Act compliance

3.7 Adjourned Meeting and Notice. Except as provided below, when the sole Member's meeting, either regular or special is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. However, no meeting may be adjourned for more than forty-five (45) days. If after adjournment a new record date is fixed for notice or voting, notice of the adjourned meeting shall be given to the sole Member.

3.8 Voting.

- (a) Except as may be otherwise provided in the Articles or these Bylaws, the sole Member shall be entitled to one vote on each matter being considered.
- (b) Voting at a meeting of the sole Member may be by voice vote or by ballot.

3.9 Proxies. ~~There shall be no voting by proxy. The sole Member may authorize another person or persons to act by proxy with respect to such membership. "Proxy" means a written authorization signed by the sole Member giving another person or persons power to vote on behalf of the sole Member. "Signed" for the purpose of this section means the placing of the sole Member's name on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the sole Member. Any proxy duly executed is not revoked and continues in full force and effect until (i) a written instrument revoking it is filed with the Secretary of the Corporation prior to the vote pursuant to the proxy, (ii) a subsequent proxy executed by the person executing the prior proxy is presented to the meeting, or (iii) the person executing the proxy attends the meeting and votes in person; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. The dates contained on the forms of proxy presumptively determine the order of execution, regardless of the postmark dates on the envelopes in which they are mailed. No proxy may be irrevocable.~~

3.10.0 ~~In any election of directors, any form of proxy in which the~~

~~district board shall be deemed to have been duly called and held if the sole Member, however called and noticed, and wherever held, are as valid as though the sole Member had a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy and requirements of the Ralph M. Brown Act (Gov. Code § 54954.2) have been satisfied.~~ Attendance of a person at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters required by these Bylaws or by the California Nonprofit Corporation Law to be included in the notice if such objection is expressly made at the meeting. Neither the business to be transacted at nor the purpose of any regular or special meeting of the sole Member need be specified in any written waiver of notice, consent to the holding of the meeting, or approval of the minutes of the meeting, unless otherwise provided in the Articles or these Bylaws, except the general nature of the proposals listed in Section 3.3(d) of these Bylaws must be specified, to the extent applicable, in any such waiver, consent, or approval.

Commented [TF8]: Removed proxy and clarified that the District meeting has to comply with Brown Act

3.423.11 Action Without a Meeting. ~~No action can be taken by the sole Member without a meeting. Any action required or permitted to be taken by the sole Member may be taken without a meeting, if the sole Member consents in writing to the action. The written consent shall be filed with the minutes of the proceedings of the sole Member. The action by written consent shall have the same force and effect as the vote of the sole Member.~~

Commented [TF9]: To comply with Brown Act

3.433.12 Rights of the Member. The sole Member shall have all rights granted to a member under the California Nonprofit Corporation Law. -Without limiting the generality of the foregoing, the sole Member shall have the right to approve the election of directors, to approve the disposition of all or substantially all of the assets of the Corporation or to approve a merger and dissolution of the Corporation and the other rights set forth in the articles of incorporation and bylaws. In addition to the foregoing, the sole Member shall have the right to require the Corporation to provide to sole Member any financial information requested by the sole Member and to approve the following actions authorized by the Corporation's Board of Directors of the Corporation:

Commented [TF10]: For consistency throughout the bylaws, use of sole Member vs Member

1. To approve the selection of the Corporation's Chief Executive Officer;
2. To approve the annual budget of the Corporation;
3. To approve capital expenditures by the Corporation of more than \$25 million dollars in a single transaction;
4. To approve any expenditures or transfers by the Corporation in a single transaction apparent or a series of related transaction (in excess of 5% of the assets of the Corporation as determined based on last annual audit of the Corporation preceding the approval date of the proposed transaction);
5. To approve the overall strategy adopted by the Corporation.

ARTICLE IV Corporation's Board of Directors

4.1 Management by Board of Directors. The business and affairs of the Corporation shall be managed by the Corporation's Board, which shall consist of two categories of voting directors: (a) District Directors, who shall be the five (5) members of the District Board, serving ex officio by virtue of their election to the District Board; and (b) Appointed Directors, who shall be up to five (5) additional directors appointed by the sole Member. The Corporation's Board shall manage the Corporation's affairs, except as otherwise provided by law, the Articles, these Bylaws or a Board resolution.

4.2 Number of Voting Directors. The number of voting directors ("Directors") of the Corporation shall not be less than five (5) nor more than ten (10) until changed by amendment of the Articles or by a bylaw amending this Section 4.2 duly adopted by the sole Member. The exact number of Directors shall be fixed from time to time, within the limit specified in the Articles or in this Section 4.2, by the sole Member.

4.3 Qualifications of Voting Directors.

- (a) Commitment. Directors must be committed to the furtherance of health care delivery in the communities served by the Corporation and must be willing to devote the necessary time and energy for self-education, corporate functions and other activities necessary to fulfill this commitment.
- (b) Fiduciary Duty. Directors shall have a fiduciary duty to the Corporation and shall make all decisions in a manner that is in the best interests of the Corporation and the communities served by the Corporation. Directors shall not advocate or act in the interests of any private person, group or entity unless such action is also in the best interests of the Corporation or the communities served by the Corporation.
- (c) Restriction on Interested Directors. ~~Not more than forty-nine percent (49%) of the persons serving on the Corporation's Board of Directors at any time may be interested persons. An interested person is (i) any person being compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a Director as a Director; and (ii) any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of any such person. In addition, 2012 Directors and 2017~~ Directors shall not be or seek to become an employee of the Corporation or an independent contractor receiving compensation from the Corporation while serving as a Director, except in the circumstances when a Director who is also a director of the sole Member may so serve. However, any violation of the provisions of this section shall not affect the validity or enforceability of any transaction entered into by the Corporation. Restrictions in addition to those set forth above may be imposed by applicable law.

Commented [TF11]: Removing the 2012 and 2017 director concept as no longer needed.. See edits to 4.5 and 4.6

- (d) Financial Interest. Except as permitted by the California Nonprofit Corporation Law, the California Health and Safety Code and any other provisions of law, Directors shall not have a “financial interest” in any transactions or contracts of the Corporation.

4.4 Appointment and Selection of Directors. ~~The sole Member appoints all Directors to the Corporation’s Board. All Directors shall be nominated and elected by the sole Member.~~

4.5 Term on the Corporation’s Board for Directors of the District Board (Category 1).:-

(b) Terms and Vacancies. Each Category 1 Director shall serve on the Corporation’s Board until such Director’s vacancy.

(c) No Term Limits. Notwithstanding any other provision of these Bylaws, there shall be no limitation on the number of consecutive or cumulative terms that may be served by a Category 1 Director.

(d) No Grandfathering of Term Limits. Notwithstanding any other provision of these Bylaws, any term limits that may have been applicable to Category 1 Directors that were in effect immediately prior to the current effective date of these Bylaws shall not apply to any Category 1 Director.

(e) Applicability. This Section 4.5 applies solely to Category 1 Directors and does not affect term limits (grandfathered or otherwise) for any other class or category of Director.

(f) Appointment Following Vacancy. Any Category 1 Director who has left the Board may be appointed to serve as a Category 2 Director after two (2) years from the date such Director left the Board.

~~Director first elected by the Member pursuant to Section 4.4 effective September 1, 2012 shall serve a staggered term ending June 30, 2013, June 30, 2014 or June 30, 2015 as designated by a resolution of the Board. Any Director who is later appointed to such position or who is later appointed to a new term for such a position after the initial term expires shall serve a term of three (3) years. The Directors described in this subparagraph (ii) are referred to in these Bylaws as “2012 Directors.”~~

~~(-) A. Director first elected by the Member, as a result of the increase in the number of permitted directors to ten (10), effective [June 20, 2017] shall serve a staggered term ending June 30, 2020 or June 30, 2021 as designated by a resolution of the Member. Any Director who is later appointed to such position or who is later appointed to a new term for such a position after the initial term expires shall serve a term of three (3) years. The Directors described in this subparagraph (ii) are referred to in these Bylaws as “2017 Directors.”~~

(a) Category 2. Any Director who is not serving as a Director of the District Board is a Category 2 Director.

(b) Term. Category 2 Directors shall serve four (4) three (3) year terms as a Director on the Corporation's Board, effective July 1 of the fiscal year following appointment.

(c) Staggered Terms in Effect. Staggered term limits for the Corporation's Board were implemented by the sole Member and the Corporation's Board in 2012. As of the effective date of these Bylaws, the Corporation's Board has five (5) Category 2 Directors serving the following terms. These staggered terms shall remain in effect, and future appointments shall continue the staggered rotation established herein.

- Two (2) Directors with current term of 2024-2027.
- Two (2) Directors with current term of 2026-2029.
- One (1) Director with current term of 2028-2031.

(d) Preservation of Existing Term Limits. All Category 2 Director term limits in effect as of the effective date of these Bylaws shall remain unchanged. Nothing in these Bylaws shall be construed to extend, shorten, reset, or otherwise modify the term limits of any director whose term commenced prior to the effective date. The intent of this provision is to preserve the continuity and staggered structure of the Corporation's Board, and to honor all existing term limits for Category 2 Directors as originally established

~~New Members. Any 2012 Director or 2017 Director who first takes office during calendar year 2014, or any time thereafter, may only serve four (4) complete three (3) year terms as a Director.~~

~~(d) New Term Limits. Any Director elected, as described in Section 4.6(d), after his or her term has been limited shall be subject to Section 4.6(a) beginning on the first day of such new term.~~

(a) A vacancy in the Corporation's Board of Directors shall be deemed to exist on the occurrence of the following: (i) the death, resignation, or removal of any Director; (ii) the declaration by the Corporation's Board of a vacancy in the office of a Director who has been declared of unsound mind by a final order of court, or has been convicted of a felony, or has been found by a final order or judgment of any court to have breached any duty under Sections 5230-38 of the California Corporations Code dealing with standards of conduct for directors; (iii) an increase in the authorized number of Directors; (iv) the application or other request by a ~~2012 Director or 2017 Director~~ seeking employment with the Corporation or seeking to provide contracted ~~contracte-d~~ services to the Corporation, except in circumstances when a Director who is also a director of

the sole Member may so serve; (v) when a Director, who was appointed ~~or elected~~ as a Director while serving as a director of the sole Member, is no longer a director of the sole Member; (vi) the failure of the sole Member, at any annual or other regular meeting of Member at which any Director or Directors are appointed, ~~to appoint elected, to elect~~ the full authorized number of Directors to be voted for at that meeting; or (vii) the affirmative vote of the sole Member to remove a Director ~~in accordance with the requirements of Section 522 of the California Corporation Code as provided in Section 49 below.~~

- (b) Vacancies ~~on~~ in the Corporation's Board may be filled only by the sole Member. Each Director ~~appointed or elected~~ to fill a vacancy shall hold office until a his ~~or her~~ successor is appointed elected at an annual or other regular meeting of the sole Member.

4.134.8 Resignation. Any Director may resign at any time by giving written notice to the Chairperson or the Secretary. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at any later time specified in the resignation. If the resignation is effective at a future time, the successor may be ~~elected-appointed~~ to take office when the resignation becomes effective. Unless the California Attorney General is first notified, no Director may resign when the Corporation would then be left without a duly ~~elected-appointed~~ Director or Directors in charge of its affairs.

4.144.9 Removal. Any elected Director may be removed, with or without cause, at any time by the ~~sole Member~~ at a duly called meeting of the District Board. No reduction of the authorized number of Directors shall have the effect of removing any Director prior to the expiration of his or her term of office. ~~Each Director appointed or elected to fill a vacancy shall hold office until his or her successor is elected by the sole Member. Prior to any vote on removal, the director shall be given reasonable written notice of the proposed removal and the grounds for it and shall have the opportunity to respond in writing or appear before the Corporation's Board to be heard. For purposes of this section, "cause" shall include, but is not limited to:~~

- Repeated unexcused absences from Corporation's Board meetings;
- Repeated and continuing conduct disruptive to the operations of the Corporation's Board;
- Failure to meet Director qualifications;
- Breach of fiduciary duties, including the duty of care, loyalty, or obedience
- Conduct that is unlawful, unethical, or materially harmful to the reputation, operations, or mission of the Corporation;
- Violation of the Corporation's bylaws, code of conduct, or conflict of interest policy;
- Conviction of a felony or a crime involving dishonesty or moral turpitude;

- Inability or unwillingness to perform the duties of a Director; or
- As authorized or permitted by applicable non-profit corporation law.

ARTICLE V

Corporation Director Appointment-Election Procedures

5.1 Procedures. The sole Member shall appoint shall elect the Directors using nomination and appointment election procedures recommended by the Corporation's Board and approved by the sole Member, and such procedures shall allow application by any person.

ARTICLE VI

Board Meetings

6.1 Annual Meeting. An annual meeting of the Board shall be held each year, at which time officers of the Board shall be elected and such other business as is appropriate shall be transacted. Annual meetings shall be held at the location designated by the Board within the boundaries of the El Camino Healthcare District's jurisdiction or at the principal office of the Corporation.

6.2 Regular Meetings. Meetings of the Board shall be held as directed by the Board, but at least quarterly at any place within the boundaries of the El Camino Healthcare District's jurisdiction or outside the State of California that has been designated by the Board. In the absence of such designation, regular meetings shall be held at the principal office of the Corporation. Regular meetings may be held without notice.

6.3 Special Meetings.

- Authority to Call. Special meetings of the Board may be called for any purpose and at any time by the Chairperson, the Secretary, or any two (2) Directors.
- Manner of Notice. Notice of the time and place of special meetings shall be given to each Director by one of the following methods: by personal delivery of written notice; by first-class mail, postage paid; by telephone or electronic communication, either directly to the Director or to a person at the Director's office who would reasonably be expected to communicate such notice promptly to the Director; by facsimile; or by telegram, charges prepaid. All such notices shall be addressed to or otherwise transmitted to the Director's address, facsimile number, or telephone number shown on the records of the Corporation. The notice shall specify the time and place of the meeting.
- Timing of Notice. Notices sent by first-class mail shall be deposited into a United States mail box at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, facsimile or telegram shall be given at least forty-eight (48) hours before the time set for the meeting.

6.4 Meetings by Conference Telephone. ~~Unless otherwise prohibited by law, a~~Any meeting, regular or special, may be held by ~~conference teleconference telephone or other electronic or similar~~ communication equipment in compliance with the Ralph M. Brown Act, so long as all Directors participating in the meeting can hear one another and the public is afforded the rights of attendance and participation. All such Directors shall be deemed to be present in person to establish a quorum at any such meeting, to the extent permitted by the Brown Act.

Commented [TF12]: Brown Act allows this but would require posting of addresses at each location, each location open to the public, and quorum present in the district

6.5 Waiver of Notice. The transaction of business at any meeting of the Board, however called and noticed or wherever held, shall be valid as though held at a meeting that was duly held after regular call and notice, but only if a quorum is present and if, either before or after the meeting, each of the Directors not present signs and files with the Secretary a written waiver of notice or a consent to holding such meeting or an approval of the minutes thereof, or such Director attends the meeting without protesting, prior to the meeting or at its commencement, the lack of notice to such Director, provided that no Director present at the meeting objected, prior to the transaction of any business, to the holding of the meeting because of a lack of prior notice. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. This section shall only apply to the extent consistent with the Ralph M. Brown Act.

6.6 Unanimous Action Without Meeting. ~~No~~Any action required or permitted to be taken by the Board under the Articles, these Bylaws or any provision of law may be taken by the Board without a meeting, ~~if the Directors unanimously consent in writing to such action. Such unanimous written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by unanimous written consent shall have the same force and effect as the unanimous vote of the Directors at a duly called and noticed meeting. Such unanimous written consent or consents may be signed in counterpart and may be submitted to the individual Directors, and returned to the Corporation by mail or by facsimile transmission. For purposes of this section only, "all members of the Board" does not include any "interested directors" as defined in Section 5233 of the California Corporations Code.~~

Commented [TF13]: Brown Act does not permit unanimous action without a meeting

6.7 Quorum. A majority of the number of existing Directors (excluding vacancies) shall constitute a quorum for the transaction of business, except to adjourn. A meeting at which a quorum is initially present may not continue to transact business, except to adjourn, if Directors withdraw from the meeting resulting in less than a quorum present. , notwithstanding the withdrawal of Directors from the meeting, if any action taken is approved by at least a majority of the required quorum for that meeting, subject to any applicable requirements for approval by a greater number or a disinterested majority.

Commented [TF14]: For Brown Act compliance

6.8 Agenda for Meetings. The agenda for Board meetings shall be developed by the Chairperson with the Chief Executive Officer acting as staff to the Chairperson for this purpose. The Chairperson shall prepare a calendar of expected agenda items that will be communicated regularly at Board meetings. Any Director may ask that a matter be added to a future Board meeting agenda by written notification to the Chairperson and the Chief Executive Officer. The Chairperson will determine, considering all other matters to be addressed by the Board, whether and when to add the matter to a Board agenda. If the matter will not be added to the Board meeting agenda at the next meeting to be held more than fourteen (14) days after the date of the request, the Chief Executive Officer will notify the Director making the request of the Chairperson's

decision; the person making the request may ask that the questions of whether such matter should be considered by the Board and the timing of such consideration be addressed during the discussion of the calendar of expected agenda items during the next meeting of the Board that occurs more than ten (10) days thereafter. Notwithstanding the foregoing, any request to add a matter to the Board agenda made by three (3) directors shall be added to the Board meeting agenda at the next meeting to be held more than fourteen (14) days after the date of the last request. All agendas shall also comply with the posting and content requirements of the Ralph M. Brown Act.

6.9 **Board Action.** Every act done or decision made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number, or the same number after disqualifying one or more Directors from voting, is required by the Articles, these Bylaws, or the California Nonprofit Corporation Law. Provided however, amendments to the Articles or these Bylaws and approval of certain transactions must be approved by the vote of a majority of the Directors in office, excluding interested directors as defined in Section 5233 of the California Corporations Code.

6.10 **Adjournment.** A majority of the Directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

6.11 **Notice of Adjournment.** ~~Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case notice of the time and place shall be given before the time of the adjourned meeting, to the Directors who were not present at the time of the adjournment.~~

Commented [TF15]: For Brown Act compliance

ARTICLE VII Board Committees and Advisory Committees

7.1 **Establishment of Board Committees.** The Board of Directors may, by resolution adopted by a majority of the Directors then in office, provided that a quorum is present, designate one or more committees, each consisting of two (2) or more Directors but less than a quorum of either the Corporation's Board or the District's Board, to serve at the pleasure of the Board. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. The provisions of Section 7.1 through 7.5 of these Bylaws do not apply to any ad hoc advisory committee established under Section 7.6. The appointment of members or alternate members of a committee requires the vote of a majority of the Directors then in office, provided that a quorum is present. The Chairperson of the Board may serve as chair or a member of any board advisory committee except as Chair of the Governance Committee. Any such committee, to the extent provided in the resolution of the Board of Directors or in these Bylaws, shall be advisory to the Board but shall have ~~all~~ the authority of the Board of Directors as stated in the resolution, except that no committee, regardless of Board resolution, may:

Commented [TF16]: For clarity, revising these provisions to reflect the existing Board Committees as opposed to ad hoc advisory committees addressed in 7.6

- (a) Approve any action that, under the California Nonprofit Corporation Law, also requires the affirmative vote of the members of a public benefit corporation.
- (b) Fill vacancies on the Board or in any committee that has the authority of the Board.

- (c) Fix compensation of the Directors for serving on the Board or on any committee.
- (d) Amend or repeal Bylaws or adopt new bylaws.
- (e) Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable.
- (f) Appoint any other committees of the Board or the members of such committees.
- (g) Expend corporate funds to support a nominee for Director after there are more people nominated for Director than can be elected.
- (h) Approve any transaction between the Corporation and one or more of its Directors in which the Director or Directors have a material financial interest, except as provided by Section 5233 of the California Corporations Code.

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7.2 Special Committees. From time to time the Board may establish special committees. Special Board committees shall exist to perform specific tasks identified by the Board, and shall cease to exist upon completion of the task. The Board may by resolution establish special committees for such purposes as the Board deems appropriate. Members of such committees shall be appointed and removed at the Board's discretion, with or without cause.

7.3 Authority to Act. The committee may take action on behalf of the Corporation only if specifically authorized to take a Board action by resolution of the Board.

7.4 Appointment.— The Chairperson of the Board shall appoint committee chairperson(s) and the committee chairperson(s) shall appoint members of committee(s) subject to approval by the Board.

7.5 Meetings and Actions of Committees. Meetings and actions of all committees of the Board shall be governed by, and held and taken in accordance with, the provisions of Article VI of these Bylaws, concerning meetings and actions of Directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board and its members, except that the time for regular meetings of committees may be determined either by majority action resolution of the Board or by majority action resolution of the committee. Special meetings of committees may also be called by majority action resolution of the Board or of the committee. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The Board may adopt rules not inconsistent with the provisions of these Bylaws for the governance of any committee.

7.6 Ad Hoc Advisory Committees. Notwithstanding any other provision of this Article VII or these Bylaws, the Board or any Board Committee Chair may by resolution establish ad hoc advisory committees to the Board or any Board Committee. No ad hoc advisory committee shall have or exercise any of the authority of the Board or any Board Committee but shall advise

Commented [TF17]: To clarify these are the ad hoc committees as opposed to the existing standing board committees. Eliminates the extra work of preparing and executing a resolution for ad hoc committees

the Board of Directors or Board Committee on matters within the jurisdiction of the Board or Board Committee. ~~advisory committee's charter as adopted by the Board. An ad hoc advisory committee shall be composed of less than a quorum of the at least two members of the Board and persons who are not members of the Board or the relevant Board Committee and may consult with advisors as appropriate. The Board or any Board Committee, by resolution, shall adopt an advisory committee charter which shall establish the ad hoc committee, state whether the advisory committee is temporary (ad hoc) or standing, the total number of members of such committee, the number of Board members to be appointed to such committee, and the subject matter to be considered by such advisory committee. The time and place of meetings of the ad hoc advisory committee shall be determined by the ad hoc advisory committee chair. The charter shall designate the members of the advisory committee or designate the process by which members of the advisory committee are selected. The Chairperson may serve as chair or a member of any advisory committee except the Governance Committee. The Board may, at any time, amend the resolution establishing by majority vote require the advisory committee to change the members, to change the scope of its work, delegation, or to terminate the existence of the advisory committee.~~

ARTICLE VIII

Officers of the Corporation and Employees

8.1 Officers. The officers of the Corporation shall consist of the Chairperson, the Vice Chairperson, the Secretary, ~~and the Treasurer, the Chief Executive Officer,~~ and such other persons who are specifically designated as officers by the Board. ~~The offices of Secretary and Treasurer shall be held by the same person. The Chief Financial Officer of the Corporation shall be the Treasurer of the Corporation unless the Board of Directors appoints a separate individual to serve as Treasurer, after considering any recommendations from the Chief Executive Officer. No person may serve concurrently as the Chairperson of the Board and either the Secretary, the Treasurer, or the Chief Financial Officer.~~

Commented [TF18]: Removes requirement that Secretary and Treasurer be same person, and allows CFO to serve in Treasurer role unless Board appoints someone else after considering any recommendations from the CEO

8.2 Election of Board Officers. All officers shall be elected by a majority vote of the Corporation Board, such office to take effect on July 1 of each even-numbered fiscal year unless a vacancy occurs.

8.3 Term of Board Officers. Each officer shall hold office for a two (2) year term or until a his or her successor is elected and qualified, subject to any employment agreement; provided that a Director may not serve more than two (2) consecutive full or partial terms as Chairperson. In the event the Chairperson fills an unexpired term of a vacant Chairperson, the officer's partial term shall count toward the officer's term limit. Notwithstanding the above, the Board of Directors may, by resolution adopted by majority vote, extend the term of the Chairperson for one additional two-year term if the Board, in its good-faith business judgment, determines it to be in the best interests of the Corporation.

Commented [TF19]: New additions, for discussion

8.4 Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the Chairperson or to the Secretary, without prejudice, however, to the rights, if any, of the Corporation under any contract to which such officer is a party. Such resignation, which may or may not be made contingent on formal acceptance, shall take effect on the date of receipt or at any later specified time.

8.5 Removal. Any officer may be removed at any time by a two-thirds (2/3) majority vote of the Board.

Commented [TF20]: New addition, for consideration

8.6 Vacancies. Upon the removal, resignation, death, or incapacity of any officer, the Board may declare such office vacant and fill such vacancy by the majority vote of the Board.

8.7 Compensation. The salary and other compensation of the officers shall be fixed from time to time by resolution of, or in the manner determined by, the Board.

8.8 Duties and Qualifications of Officers. The officers shall have such duties, in addition to those set forth below, as the Board shall specify by resolution from time to time.

- (a) Chairperson. The Chairperson shall preside at all meetings of the Board. Except as provided in Section 13.1, the Chairperson shall have authority to execute in the name of the Corporation all bonds, contracts, deeds, leases, and other written instruments to be executed by the Corporation, and shall perform such other powers and duties as may be from time to time assigned to him or her by the Board or set forth in these Bylaws.
- (b) Vice Chairperson. The Vice Chairperson shall assume and perform the duties of the Chairperson in the absence or disability of the Chairperson or whenever the office of Chairperson is vacant. The Vice Chairperson shall have such titles, perform such other duties, and have such other powers as the Board or the Chairperson shall designate from time to time.
- (c) Secretary. The Secretary shall record or cause to be recorded, and shall keep or cause to be kept, at the principal executive office and such other place as the Board may order, a book of minutes of actions taken at all meetings of Directors, committees, and sole Member, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such Directors, committees and sole Member meetings, and the proceedings of all such meetings.

The Secretary shall give, or cause to be given, notice of all the meetings of the members of the Board of Directors, and of the committees of this Corporation required by these Bylaws or by law to be given, shall keep the seal of the Corporation (if any) in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board, the Chairperson or by these Bylaws.

- (d) Treasurer, or Chief Financial Officer. The Treasurer (or if the Chief Financial Officer is serving as Treasurer, then the Chief Financial Officer) shall ~~keep and maintain, or keep and maintain cause to be kept and maintained,~~ adequate and correct accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements.

The Treasurer ~~(or the shall Chief Financial Officer, as applicable)~~ shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board. The Treasurer ~~(or the Chief Financial Officer, as applicable)~~ shall disburse the funds of the Corporation as may be ordered by the Board, shall render to the Chairperson and Directors, whenever they request it, an account of all of the Treasurer's transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board, the Chairperson or these Bylaws.

ARTICLE IX Chief Executive Officer

9.1 Selection, Authority and Term. The Board may select and employ a competent, experienced Chief Executive Officer who shall be its direct executive representative in the management of the Hospital. This Chief Executive Officer shall be given the necessary authority and held responsible for the administration of the Hospital in all its activities and departments subject only to such policies as may be adopted, and such orders as may be issued by the Board or by any of its committees to which it has delegated power for such action. The Chief Executive Officer ~~He or she~~ shall act as the "duly authorized representative" of the Board in all matters in which the governing Board has not formally designated some other person for that specific purpose. However, nothing in this section is to be construed as depriving or delegating from the Board to the Chief Executive Officer any of the powers and duties imposed upon the Board by the Local Hospital District Law, Division 23, or Chapter 1 of the Health and Safety Code of the State of California, or related statutes. The Chief Executive Officer shall hold office ~~from the date of hire until the end of his or her term in office or sooner~~ at the sole discretion of the Board, subject to any employment agreement.

9.2 Performance Review. The Board shall continually review the performance of the Chief Executive Officer and provide counseling in areas where improvement is needed.

9.3 Authority and Duties. The authority and duties of the Chief Executive Officer shall be as follows:

- (a) To perfect and submit to the Board for approval a plan of organization of the personnel and others concerned with the operation of the Hospital; and also to establish methods of procedures concerning the internal operation of the Hospital.
- (b) To prepare an annual budget showing the expected receipts and expenditures of the Hospital as required by the Board of Directors.
- (c) To prepare and submit capital budget of the Hospital to the Board for approval.
- (d) To select, employ, and discharge all employees serving in positions as authorized by the Board of Directors.
- (e) To see that all physical properties are kept in good state of repair and operating

condition.

- (f) To attend all meetings of the Board of Directors and participate in all Board discussions, including executive sessions of the Board, except where the Chief Executive Officer has a conflict of interest or is otherwise recused, and except for executive sessions of the Board of Directors.
- (g) To supervise all business affairs, such as the records of financial transactions, collection of accounts and purchase and issuance of supplies, and to ensure that all funds are collected and expended to the best possible advantage.
- (h) To explore and develop strategic opportunities for the Hospital and propose such opportunities to the Board.
- (i) To exercise his or her professional abilities in such a manner that those concerned with the rendering of professional service at the Hospital cooperate to the end that the best possible care may be rendered to all patients.
- (j) To submit regularly to the Board or its authorized committees, periodic reports showing the professional service and financial activities of the Hospital and to prepare and submit such special reports as may be required by the Board and/or its functioning committees.
- (k) To serve as the liaison officer and channel of communications for all official communications between the Board of Directors or any of its committees, and its adjunct organizations.
- (l) To attend and support, or appoint a delegate to attend and support, et as an ex-officio member of all Board committee meetings.
- (m) To support such volunteer services as are necessary to carry out the purpose of the Hospital.
- (n) To assist in providing an orientation program for new Board members.
- (o) To perform any other duty that may be necessary in the best interest of the Hospital.

Commented [TF21]: Board typically asks the CEO to attend executive session, unless CEO's performance is being discussed

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Commented [TF22]: Practice has been that CEO is not considered a member of the committee

ARTICLE X

Contracts and Financial Matters

10.1 Loans. No loans shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board. Such authority may be general or confined to specific instances.

10.2 Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depository as the Board may select.

10.3 Compensation of Directors and Committee Members. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement of expenses, as may be determined by ~~resolution of~~ the Board to be just and reasonable; provided, however, that any such compensation must be commercially reasonable.

ARTICLE XI Conflicts of Interest and Indemnification

11.1 Conflict of Interest. The Board shall adopt and adhere to a conflict of interest policy that incorporates the provisions of Section 5233 of the California Nonprofit Corporation Law. ~~by resolution, a conflict of interest policy which shall be attached to these Bylaws.~~

Commented [TF23]: Board approves the policy but it hasn't been practice to require a resolution or attachment to the bylaws

11.2 Indemnification.

- (a) For the purposes of this article, "agent" means any person who is or was a Director, officer, employee, or other agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, or was a Director, officer, employee, or agent of a foreign or domestic corporation that was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending, or completed action or proceeding, whether civil, criminal, administrative, or investigative; and "expenses" include without limitation attorneys' fees and any expenses of establishing a right to indemnification under paragraph (d) or paragraph (e)(iii) of this Section 11.2.
- (b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the Corporation to procure a judgment in its favor, an action brought under Section 5233 of the California Corporations Code, or an action brought by the Attorney General for any breach of duty relating to assets held in charitable trust) by reason of the fact that such person is or was an agent of the Corporation, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the Corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.
- (c) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action

by or in the right of the Corporation to procure a judgment in its favor, or brought under Section 5233, or brought by the Attorney General for breach of duty relating to assets held in charitable trust, by reason of the fact that such person is or was an agent of the Corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interests of the Corporation, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this paragraph (c):

- (i) In respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable to the Corporation in the performance of such person's duty to the Corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses that such court shall determine;
 - (ii) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or
 - (iii) Of expenses incurred in defending a threatened or pending action that is settled or otherwise disposed of without court approval unless it is settled with the approval of the Attorney General.
- (d) To the extent that an agent of the Corporation has been successful on the merits in defense of any proceeding referred to in paragraph (b) or (c) or in defense of any claim, issue, or matter in the proceeding, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection with the proceeding.
- (e) Except as provided in paragraph (d), any indemnification under this Section 11.2 shall be made by the Corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in paragraph (b) or (c), by:
- i. A majority vote of a quorum consisting of Directors who are not parties to such proceeding;
 - ii. Approval or ratification by the affirmative vote of a majority of the votes represented and voting at a duly held membership meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum); for such purpose, any membership held by the person to be indemnified shall not be considered outstanding or entitled to vote on the matter; or

~~—iii.~~ The court in which such proceeding is or was pending upon application made by the Corporation; the agent, or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney, or other person is opposed by the Corporation.

(f) ~~(f)~~ Expenses incurred in defending any proceeding may be advanced by the Corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this Section 11.2.

(g) ~~(g)~~ Nothing contained in this article shall affect any right to indemnification to which persons other than Directors and officers of the Corporation or any subsidiary of the Corporation may be entitled by contract or otherwise.

~~(h)~~ ~~(h)~~ No indemnification or advance shall be made under this article, except as provided in paragraph (d) or paragraph (e)(iii), in any circumstance when it appears:

i. ~~(i)~~ ~~i.~~ That it would be inconsistent with a provision of the Articles, a resolution of the sole Member, or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

i. ~~ii~~ ~~(ii)~~ That it would be inconsistent with any condition expressly imposed by a court in approving a settlement.

~~(i)~~ ~~(i)~~ Upon and in the event of a determination by the Board of Directors of the Corporation to purchase indemnity insurance, the Corporation shall purchase and maintain insurance on behalf of any agent of the Corporation against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such whether or not the Corporation would have the power to indemnify the agent against such liability under the provisions of this Section 11.2; provided, however, that the Corporation shall have no power to purchase and maintain such insurance to indemnify any agent of the Corporation for a violation of Section 5233.

ARTICLE XII Medical Staff

12.1 Organization. A medical staff organization has been created for the acute care hospitals ~~that is~~ owned by El Camino Hospital, and this medical staff is known as the El Camino Hospital Medical Staff (the "Medical Staff").

12.2 Membership. Membership in the Medical Staff shall be comprised of all

physicians, dentists and podiatrists who are duly licensed, competent in their respective fields, worthy in character and in professional ethics and privileged to attend to patients in the Hospital. The term “physicians” shall include physicians licensed in the State of California, regardless of whether they hold an M.D. or D.O. degree. Membership in the Medical Staff shall be a prerequisite to the exercise of any clinical privileges except as otherwise expressly provided in the Medical Staff Bylaws.

12.3 Medical Staff Bylaws, Rules and Regulations.

~~(e)~~(b) Procedure to Adopt or Amend.

(i) Preparation and Adoption. The Medical Staff shall have the initial responsibility to formulate, revise and adopt the Medical Staff Bylaws, rules and regulations.

(ii) Review and Approval. After the above action by the Medical Staff, such Medical Staff Bylaws, rules or regulations, or amendments thereto, shall be forwarded to the Corporation's Board of Directors for its review and approval, which approval shall not be unreasonably withheld.

(iii) Separate Action. If the Medical Staff fails to exercise its responsibility hereunder and in a reasonable, timely and responsible manner, and after written notice from the Board to such effect, including a reasonable period of time for response, the Board may formulate or amend the Medical Staff Bylaws, rules and regulations. Any Medical Staff recommendations and views shall be carefully considered during the Board's deliberations and actions.

12.4 Credentialing and Clinical Privileges.

- (a) Delegation to Medical Staff. The Board delegates to the Medical Staff responsibility and authority to investigate and evaluate all matters relating to Medical Staff membership and clinical privileges, including appointment, reappointment and corrective action.
- (b) Initial Decision. Initial action with respect to membership on the Medical Staff and clinical privileges shall be taken by the Medical Staff in accordance with the Medical Staff Bylaws, rules and regulations. Thereafter, a recommendation shall be made to the Board.
- (c) Review and Approval. The Board shall review and act upon recommendations of the Medical Staff, and shall give careful consideration to the Medical Staff's expertise in peer review matters.
- (d) Separate Action. If the Medical Staff fails to exercise its responsibility hereunder in a reasonable, timely and responsible manner, and after written notice from the Board to such effect, including a reasonable period of time for response, the Board may take actions regarding medical staff membership and clinical privileges. In so doing, the Board shall carefully consider any Medical Staff recommendations and

views during its deliberations and actions. In situations involving corrective action, the Board shall not initiate such action unless the Medical Staff's failure to do so is contrary to the weight of the evidence under consideration.

- (e) Fair Hearing Procedure. The procedural rules to be followed by the Medical Staff and the Board in acting on matters of Medical Staff membership and clinical privileges, including such matters as appointment, reappointment and corrective action, shall be as more particularly specified in the Medical Staff Bylaws. The Medical Staff Bylaws shall provide for a procedure pursuant to which disagreements between the Medical Staff and the Board may be resolved.
- (f) Standards of Decision and Review. In taking the actions referred to in this Article XII, the relevant decision-making body shall consider the supporting information and the purposes, needs and capabilities of the hospital, the health and welfare of the community, and such relevant criteria as are set out in the Medical Staff Bylaws, rules and regulations. In taking such action, no aspect of Medical Staff membership or privileging shall be limited or denied on the basis of sex, age, race, creed, color, or national origin, or on the basis of any other criterion unrelated to those set out in the preceding sentence.
- (g) Duration. Appointments to the Medical Staff shall be for a maximum term of two (2) years.
- (h) Terms and Conditions. The terms and conditions of Medical Staff membership and of the exercise of clinical privileges shall be as specified in the Medical Staff Bylaws, rules and regulations, or as more specifically defined in the notice of an individual appointment or privileges.

12.5 Allied Health Professionals. The categories of allied health professionals eligible to hold specific practice privileges to perform services within the scope of their licensure, certification or other legal authorization, and the corresponding privileges, prerogatives, terms and conditions for each such allied health professional category or practitioner shall be determined by the Board upon recommendations received from the Medical Staff executive committee. The Medical Staff shall have the responsibility and authority to investigate and evaluate each application by an allied health professional for satisfaction of relevant eligibility requirements in accordance with the Medical Staff Bylaws, rules and regulations.

12.6 Contract Physicians. A physician engaged as an independent contractor by the Corporation to provide medical-administrative services must obtain appropriate Medical Staff membership and privileges through the procedure outlined in the Medical Staff Bylaws, rules and regulations. Restriction or termination of such physician's Medical Staff membership or clinical privileges for reasons related to professional competence shall also be accomplished through the procedures contained in the Medical Staff Bylaws, rules and regulations. All other matters, including termination of Medical Staff membership or clinical privileges on grounds not related to professional competence, shall be governed by the terms of such physician's contracts or agreements with the Corporation.

12.7 Accountability. The Medical Staff shall be accountable to the Board for conducting activities that contribute to the preservation and improvement of the quality and efficiency of patient care provided at the Corporation. These activities shall include:

- (a) Standard of Care. Ensuring that a comparable standard of care, as determined by the Medical Staff, is provided to all patients with similar needs;
- (b) Monitor Quality. Ongoing monitoring and evaluation of patient care to solve problems and identify other opportunities to improve quality.
- (c) Clinical Privileges. Delineation of clinical privileges for members of the Medical Staff commensurate with individual credentials and demonstrated ability and judgment.
- (d) Continuing Education. Provision of continuing professional education, guided by the needs identified through the review and evaluation activities, as well as other perceived needs and interests.
- (e) Resource Allocation. Review of utilization of the Corporation's resources to provide for their allocation to patients in need of them.
- (f) Medical Records. Ensuring the preparation and maintenance of adequate and accurate medical records for all patients; and
- (g) Other Matters. Such other measures as the Board may, after considering the advice of the Medical Staff and the Corporation's administration, deem necessary for the preservation and improvement of the quality and efficiency of patient care.

ARTICLE XIII Execution of Corporate Instruments, and Voting of Stocks and Memberships Held by the Corporation

13.1 Execution of Corporate Instruments. The Board may, in its discretion, determine the method and designate the signatory officer or officers or other person or persons, to execute any corporate instrument or document, or to sign the corporate name without limitation, except when otherwise provided by law, and such execution or signature shall be binding upon the Corporation.

Unless otherwise specifically determined by the Board or otherwise required by law, formal contracts of the Corporation, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the Corporation, and other corporate instruments or documents, and certificates of shares of stock owned by the Corporation, shall be executed, signed, or endorsed by the Chairperson.

All checks and drafts drawn on banks or other depositories on funds to the credit of the Corporation, or in special accounts of the Corporation, shall be signed by such person or persons as the Board shall authorize to do so.

13.2 Ratification by Sole Member. The Board may, in its discretion, submit any contract or act for approval or ratification of the sole Member at any regular meeting of sole Member, or at any special meeting of the sole Member called for that purpose.

13.3 Voting of Stocks Owned by Corporation. All stock of other corporations or memberships in other corporations owned or held by the Corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect to such stock or memberships shall be executed, by the person authorized to do so by resolution of the Board of Directors, or in the absence of such authorization, by the Chairperson of the Board, or Vice Chairperson or by any other person authorized to do so by the Chairperson or the Vice Chairperson of the Board.

ARTICLE XIV Annual Report

— Except as provided below, the Corporation shall cause to be sent to its sole Member and Directors no later than 120 days after the close of its fiscal year, a report containing the following information in appropriate detail:

~~(b)~~(a) The assets and liabilities, including the trust funds, of the Corporation as of the end of the fiscal year.

~~(e)~~(b) The principal changes in assets and liabilities, including trust funds, during the fiscal year.

~~(d)~~(c) The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year.

~~(e)~~(d) The expenses or disbursements of the Corporation, for both general and restricted purposes, during the fiscal year.

~~(f)~~(e) Any information required by Section 6322 of the California Corporations Code.

The report shall be accompanied by any pertinent report of independent accountants, or, if there is no such report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit from the books and records of the Corporation.

This article does not apply to the Corporation when it receives less than twenty-five thousand dollars (\$25,000) in gross revenues or receipts during the fiscal year, with the exceptions that a report meeting the above requirements must be furnished annually to all Directors and to the sole Member who requests it in writing and that the information referred to in paragraph (e) above must be furnished to the sole Member and Directors within 120 days after the close of the Corporation's fiscal year.

If the Corporation solicits in writing contributions from five hundred (500) or more persons, it need not send the report described above to the sole Member, with the exception of the information referred to in paragraph (e) above, if it:

- (i) Includes with any written material used to solicit contributions a written statement that its latest annual report will be mailed upon request and that such request may be sent to the Corporation at a name and address which is set forth in the statement;
- (ii) Promptly mails a copy of its latest annual report to any person who requests a copy; and
- (iii) Causes its annual report to be published not later than 120 days after the close of its fiscal year in a newspaper of general circulation in the county in which its principal office is located.

ARTICLE XV Standard of Care

A Director shall perform the duties of a director, including duties as a member of any Board committee on which the Director may serve, in good faith, in a manner such Director believes to be in the best interest of this Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances, and shall comply with any standards of conduct adopted by the Corporation's Board of Directors.

—In performing the duties of a Director, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

~~(b)~~(a) one or more officers or employees of the Corporation whom the Director believes to be reliable and competent as to the matters presented;

~~(e)~~(b) counsel, independent accountants, or other persons as to matters which the Director believes to be within such person's professional or expert competence; or

~~(d)~~(c) a Board committee upon which the Director does not serve, as to matters within its designated authority, provided that the Director believes such committee merits confidence; so long as in any such case, the Director acts in good faith after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

Except as provided in Article XVI below, a person who performs the duties of a Director in accordance with this Article XV shall have no liability based upon any failure or alleged failure to discharge that person's obligations as a Director, including, without limiting the generality of the foregoing, any actions or omissions which exceed or defeat a public or charitable purpose to which a corporation, or assets held by it, are dedicated.

ARTICLE XVI Prohibited Transactions

16.1 Loans. Except as permitted by Section 5236 of the California Corporations Code, this Corporation shall not make any loan of money or property to, or guarantee the obligation of, any Director or officer; provided, however, that this Corporation may advance money to a Director

or officer of this Corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such officer or Director so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

16.2 Self-Dealing Transactions. Except as provided in Section 16.3 below, the Board of Directors shall not approve or permit the Corporation to engage in any self-dealing transaction. A self-dealing transaction is a transaction to which this Corporation is a party and in which one or more of its Directors has a material financial interest, unless the transaction is described in California Corporations Code Section 5233(b).

16.3 Approval. This Corporation may engage in a self-dealing transaction if the transaction is approved by a court or by the Attorney General. This Corporation also may engage in a self-dealing transaction if the Board determines, before the transaction, that (1) this Corporation is entering into the transaction for its own benefit; (2) the transaction is fair and reasonable to this Corporation at the time; and (3) after reasonable investigation, the Board determines that it could not have obtained a more advantageous arrangement with reasonable effort under the circumstances. Such determinations must be made by the Board in good faith, with knowledge of the material facts concerning the transaction and the interest of the Director or Directors in the transaction, and by a vote of a majority of the Directors then in office, without counting the vote of the interested Director or Directors.

ARTICLE XVII Miscellaneous

17.1 Records and Reports.

- (a) Maintenance and Inspection of Articles and Bylaws. This Corporation shall keep at its principal office the original or a copy of its Articles and these Bylaws as amended from time to time which shall be open to inspection by the Directors and the sole Member at any reasonable time during business hours.
- (b) Maintenance and Inspection of Other Corporate Documents. The accounting books, records, and minutes of proceedings of the sole Member, the Board and any committee of the Board shall be kept at such place or places designated by the Board or, in the absence of such designation, at the principal office of the Corporation. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form or in any other form capable of being converted into written, typed or printed form. The minutes and accounting books and records shall be open to inspection on the written demand of any sole Member, at any reasonable time during usual business hours for a purpose reasonably related to the sole Member's interests as a sole Member. Inspection may be made in person or by an agent or any attorney, and shall include the right to copy and make abstracts.
- (c) Inspection by Directors. Each Director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Corporation. This inspection by a Director may

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be made in person or by the agent or attorney. The right of inspection includes the right to copy and make abstracts of documents.

17.2 Corporate Seal. The Board shall provide a suitable seal for the Corporation.

17.3 Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the above, singular numbers include the plural, plural numbers include the singular, and the term “person” includes both corporations and natural persons. The captions or headings in these Bylaws are for convenience only and are not intended to limit or define the scope or effect of any provision of these Bylaws.

ARTICLE XVIII Amendments

18.1 Amendments. The Articles or these Bylaws may be adopted, repealed, amended or restated or new Articles or Bylaws may be adopted upon a majority vote of the authorized number of Directors (excluding vacancies and Directors with a conflict of interest). No such adoption, repeal, amendment, restatement or new Articles or Bylaws shall be effective until approved by the sole Member. Moreover, the Articles and Bylaws may be adopted, repealed, amended or restated or new Bylaws adopted upon the vote of the sole Member.

I, the undersigned, certify that I am the currently elected and acting Secretary of El Camino Hospital, a California nonprofit public benefit corporation, and the above Amended and Restated Bylaws, consisting of 24-29 pages, are the Bylaws of this Corporation as adopted pursuant to the required affirmative vote of the Board, December 7, 2005 and the sole Member, the El Camino Healthcare District, on December 7, 2005 pursuant to the required affirmative vote of the District Board, as amended and restated pursuant to the required affirmative vote of the Board on August 10, 2011 and the sole Member, the El Camino Healthcare District, on August 10, 2011 pursuant to the required affirmative vote of the District Board, as further amended and restated by the sole Member, El Camino Healthcare District, on March 20, 2012 pursuant to the required affirmative vote of the District Board, as further amended and restated by the sole Member, El Camino Healthcare District, on May 12, 2012, May 1, 2013, June 18, 2013, and March 5, 2014 pursuant to the required affirmative vote of the District Board, as further amended and restated pursuant to the required affirmative vote of the Board on May 14, 2014 (Section 6.8) and May 14, 2014 (Article VII) and of the sole Member, the El Camino Healthcare District, on June 17, 2014, as further amended and restated pursuant to the required affirmative vote of the Board on October 8, 2014 (Section 7.6) and of the sole Member, the El Camino Healthcare District, on October 21, 2014, as further amended and restated pursuant to the required affirmative vote of the Board on May 11, 2016 and of the sole Member, the El Camino Healthcare District, on June 14, 2016 and as further amended and restated by the sole Member, El Camino Healthcare District, on June 28, 2017 pursuant to the required affirmative vote of the District Board, as further amended and restated pursuant to the required affirmative vote of the Board on May 9, 2018 and the sole Member, the El Camino Healthcare District, on May 15, 2018 pursuant to the required affirmative vote of the District Board and as further amended and restated by the sole Member, El Camino Healthcare District, on October 16, 2018 pursuant to the required affirmative vote of the District

Board, and as further amended and restated pursuant to the required affirmative vote of the El Camino Healthcare District, on _____.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Secretary on _____, ~~October 16, 2018.~~

John Zoglin
El Camino Hospital Secretary



EL CAMINO HOSPITAL BOARD OF DIRECTORS BOARD MEETING MEMO

To: El Camino Hospital Board of Directors
From: Carlos A. Bohorquez, Chief Financial Officer
Date: October 8, 2025
Subject: FY2025 External Audit Reports: Consolidated Financials and 403(b) Retirement & Cash Balance Plans

Recommendation(s):

The Compliance and Audit Committee recommends Board approval of the FY2025 Consolidated Financials, 403(b) Retirement Plan and Cash Balance Plan Audit Reports.

Summary:

1. **Situation:** The El Camino Healthcare District engaged Baker Tilly (formerly Moss Adams) to conduct its annual Financial Audit for FY2025. The audit includes the Healthcare District, El Camino Hospital and its related entities (El Camino Hospital Foundation, CONCERN:EAP, and El Camino Health Medical Network). Baker Tilly conducted audits of ECH's 403(b) Retirement and Cash Balance Plans. The results are filed with the Plans' IRS Form 5500.
2. **Authority:** Policy requires the Compliance and Audit Committee (CAC) review the auditor reports and financial statements and approval before going to the Board. CAC received and voted to recommend Board approval of the FY2025 Financial Audit Reports at the September 2025 meeting.
3. **Background:** Consolidated Financials - As noted in the report, the auditors found that; 1) management selected and applied significant accounting policies appropriately and consistent with those of the prior years and that management's judgments and accounting estimates were reasonable; 2) the disclosures in the consolidated financial statements were clear and consistent; 3) there were no auditor proposed adjustments to revenue, expenses, investments, assets or liabilities; 4) auditors identified an opportunity to strengthen internal controls which involves the need for ECHMN Finance to communicate one-time revenue journal entries to ECH Finance to ensure they are included in the revenue recognition model and 5) there were no material weakness identified.

403(b) Retirement Plan and Cash Balance Plan – The financials statements for both plans are presented on the Governmental Accounting Standards Board (GASB) reporting basis of accounting.
4. **Assessment:** Baker Tilly provided an unmodified opinion that the consolidated financial statements were presented fairly and in accordance with US GAAP (Generally Accepted Accounting Principles).

List of Attachments:

1. Consolidated Financial Statements with Supplementary Information
2. Report of Independent Auditors – 403(b) Retirement Plan
3. Report of Independent Auditors – Cash Balance Plan

FY2025 External Audit Reports: Consolidated Financials and 403(b) Retirement & Cash Balance Plans
October 8, 2025

Recommendation:

- Board approval of the FY2025 Audit Reports: Consolidated Financials, 403(b) Retirement Plan and Cash Balance Plan

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upon for any purpose

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

El Camino Healthcare District

June 30, 2025 and 2024

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Management's Discussion and Analysis

El Camino Healthcare District Management's Discussion and Analysis Years Ended June 30, 2025, 2024, and 2023

El Camino Healthcare District (the "District") is comprised of five entities: the District, El Camino Hospital (the "Hospital"), El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), and Silicon Valley Medical Network d.b.a. El Camino Health Medical Network ("ECHMN").

ECHMN was organized as a California Limited Liability Corporation ("LLC") that was formed in 2008. Starting in fiscal year 2019 and continuing into the current fiscal year, ECHMN has expanded to 14 clinic and urgent care sites.

Overview of the Consolidated Financial Statements

This annual report consists of the consolidated financial statements and notes to those statements. These statements are organized to present the District as a whole, including all the entities it controls. Financial information for each separate entity is shown in the supplemental schedules on the last pages of the report. In accordance with the Governmental Accounting Standards Board ("GASB") Codification Section 2200, *Comprehensive Annual Financial Report*, the District presents comparative financial highlights for the fiscal years ended June 30, 2025, 2024, and 2023. This discussion and analysis should be read in conjunction with the consolidated financial statements in this report.

The consolidated statements of net position, the consolidated statements of revenues, expenses, and changes in net position, and the consolidated statements of cash flows provide an indication of the District's financial health. The consolidated statements of net position include all the District's assets and liabilities, using the accrual basis of accounting. The consolidated statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The consolidated statements of cash flows report the cash provided by the operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements.

Consolidated Financial Highlights

Year Ended June 30, 2025

For fiscal year ended June 30, 2025, the District increased its net position by \$355 million. In 2025, operating revenues increased by \$153 million over 2024; this was the result of increased volume and growth of the El Camino Health Medical Network

Year Ended June 30, 2024

For fiscal year ended June 30, 2024, the District increased its net position by \$332 million. In 2024, operating revenues increased by \$111 million over 2023; this was the result of increased volume.

Year Ended June 30, 2023

For fiscal year ended June 30, 2023, the District increased its net position by \$311 million. In 2023, operating revenues increased by \$83 million over 2022; this was the result of increased volume.

El Camino Healthcare District **Management's Discussion and Analysis** **Years Ended June 30, 2025, 2024, and 2023**

Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
As of June 30, 2025, 2024 and 2023

(In Thousands)

	2025	2024	2023
Assets:		(as restated)	
Current assets	\$ 924,580	\$ 681,612	\$ 715,606
Board designated and restricted funds, net of current portion	1,744,190	1,576,890	1,285,427
Funds held by trustee, net of current portion	35,333	40,234	40,256
Capital assets, net	1,347,026	1,327,296	1,250,440
Right-of-use ("ROU") assets, net of amortization	10,877	15,246	15,077
Subscription assets, net of amortization	7,554	12,436	13,505
Lease receivables, net of current portion	36,439	32,541	32,099
Other assets	168,635	147,005	114,974
Total assets	4,274,634	3,833,260	3,467,384
Deferred outflows:			
Deferred outflows of resources	15,937	11,627	7,638
Deferred outflows of resources - loss on bond defeasance	9,359	9,959	10,560
Deferred outflows of resources - actuarial	15,720	21,340	37,339
Total deferred outflows	41,016	42,926	55,537
Total assets and deferred outflows	\$ 4,315,650	\$ 3,876,186	\$ 3,522,921
Liabilities:			
Current liabilities	\$ 251,077	\$ 233,880	\$ 168,169
Bonds payable, net of current portion	620,593	538,362	554,920
Lease liabilities, net of current portion	10,354	13,405	13,350
Subscription liabilities, net of current portion	2,609	8,674	10,926
Other long-term liabilities	34,402	37,137	39,979
Total liabilities	919,035	831,458	787,344
Deferred inflows:			
Deferred inflows of resources	274	4,067	4,015
Deferred inflows of resources - leases	46,870	47,538	42,923
Deferred inflows of resources - gain on bond defeasance	4,051	-	-
Deferred inflows of resources - actuarial	8,672	11,654	16,745
Total deferred inflows	59,867	63,259	63,683
Net position:			
Unrestricted and invested in capital assets, net	3,272,455	2,936,936	2,627,273
Restricted by donors - charity and other	36,572	33,851	33,278
Restricted - endowments	27,721	10,682	11,343
Total net position	3,336,748	2,981,469	2,671,894
Total liabilities, deferred inflows, and net position	\$ 4,315,650	\$ 3,876,186	\$ 3,522,921
Operating cash equivalents and short-term investments	\$ 571,125	\$ 361,857	\$ 408,955
Board designated, funds held by trustee, and restricted funds	1,806,846	1,641,698	1,348,340
Total available cash & investments	\$ 2,377,971	\$ 2,003,555	\$ 1,757,295

El Camino Healthcare District Management's Discussion and Analysis Years Ended June 30, 2025, 2024, and 2023

Investments

The District maintains sufficient cash balances to pay daily operational expenses and all short term liabilities. In late fiscal year 2012, the Hospital (exclusive of the District) selected an Investment Consultant to assist the Hospital and its subsidiaries in managing its investments, and both the investment policies for Surplus Cash and Cash Balance Plan were updated and approved by the Hospital Board of Directors (the "Board"). The policies allow for greater diversification in the investment portfolios to balance the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength.

Capital Assets

Continuing on from the previous two fiscal years was the Women's Hospital Expansion project that was approved in February 2021. At fiscal year end, the project was approximately 87% complete, expending \$150 million. The renovated Lobby/Gift Shop was put into service, along with the completion of the 2nd and 3rd floors. The renovated second floor will now house the 20 bed Intensive Care Nursery, previously located on the first floor. The third floor will house a 26 bed Post-Partum, Mom/Baby Unit all in private rooms. Conversion of the existing Mom/Baby Unit on the first floor will be converted into larger rooms with cosmetic upgrades to the interiors later in the project. It is projected that the total project will be completed in late December 2025.

El Camino Healthcare District **Management's Discussion and Analysis** **Years Ended June 30, 2025, 2024, and 2023**

Revenues and Expenses

The following table displays revenues and expenses for 2025, 2024, and 2023:

Revenues & Expenses Years Ended June 30, 2025, 2024 and 2023 (In Thousands)			
	2025	2024 (as restated)	2023
Operating revenues:			
Patient service revenue, net of provision for bad debt of \$9,993, \$7,085, and \$15,361 in 2025, 2024, and 2023, respectively	\$ 1,637,497	\$ 1,477,847	\$ 1,378,050
Other revenue	55,726	62,881	51,212
Total operating revenues	1,693,223	1,540,728	1,429,262
Operating expenses:			
Salaries, wages and benefits	866,557	783,917	731,536
Professional fees and purchased services	272,493	234,755	190,962
Supplies	237,550	205,326	198,163
Depreciation and amortization	92,080	90,567	87,104
Rent and utilities	26,080	23,653	24,478
Other	22,885	36,202	22,117
Total operating expenses	1,517,645	1,374,420	1,254,360
Operating income	175,578	166,308	174,902
Nonoperating revenues (expenses) items:			
Bond interest expense, net	(25,495)	(22,772)	(22,797)
Intergovernmental transfer expense	(5,193)	(6,093)	(2,178)
Realized investment income	77,753	19,978	31,024
Unrealized investment gains	74,618	142,591	81,205
Property tax revenues	30,842	33,492	36,748
Restricted gifts, grants and other net of contributions to related parties	17,967	5,367	8,750
Unrealized gain on interest rate swaps	13,151	693	1,328
Community benefit expense	(11,368)	(11,307)	(11,293)
Provider Relief Fund revenue	-	-	11,301
Other, net	7,426	3,916	1,958
Total nonoperating revenues and expenses	179,701	165,865	136,046
Increase in net position	355,279	332,173	310,948
Total net position, beginning of year	2,981,469	2,671,894	2,360,946
CUMULATIVE EFFECT OF RESTATEMENT	-	(22,598)	-
Total net position, beginning of year, as restated	2,981,469	2,649,296	2,360,946
Total net position, end of year	\$ 3,336,748	\$ 2,981,469	\$ 2,671,894

El Camino Healthcare District Management's Discussion and Analysis Years Ended June 30, 2025, 2024, and 2023

Fiscal Year 2025 Consolidated Financial Analysis

Net Patient Service Revenues

Net patient service revenue in fiscal year 2025 increased by \$160 million, or 10.8% over fiscal year 2024.

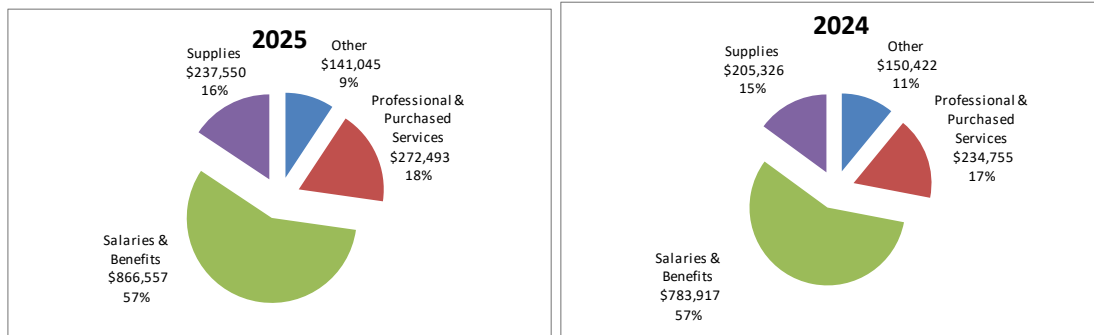
Specialty	2025 Days	2024 Days
Total days	123,417	122,233
Specialty	2025 LOS	2024 LOS
Average Length of Stay ("LOS")	4.6	4.6

The overall case mix index, which is an indicator of patient acuity, was 1.56 in fiscal year 2025, and 1.60 in fiscal year 2024.

Other Revenue

Other operating revenue decreased by \$7.2 million in fiscal year 2025 compared to fiscal year 2024. This decrease was primarily driven by the absence of a one-time settlement received in fiscal year 2024, partially offset by an increase of \$3.7 million in rental income during fiscal year 2025.

Operating Expenses



Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by \$83 million in fiscal year 2025 over 2024, which is 57% of total operating expenses. Full-time equivalents ("FTEs") increased by 165 along with the increase in labor due the high demand for healthcare workers.

El Camino Healthcare District Management's Discussion and Analysis Years Ended June 30, 2025, 2024, and 2023

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave, increased by \$42.5 million.

Significant changes were as follows:

- PTO and extended sick leave increased by \$11.2 million compared to 2024.
- Healthcare (medical, dental, and vision) increased by \$15.0 million compared to 2024.
- Pension and retirement cost increase by \$7.8 million in 2025 compared to 2024.

Professional and Purchased Services

Total professional and purchased services increased by \$37.7 million. Professional services increased by \$23.6 million, with \$23.6 million due to increases in professional services agreements with ECHMN and hospital-based service agreements. Additionally, repairs and maintenance increased by \$10.1 million.

Supplies

Total supplies increased by \$32.2 million or 15.7% in fiscal year 2025 over 2024. This was mainly due to the increase in volume and inflation factors.

Depreciation and amortization

Depreciation and amortization expense this fiscal year increased by \$1.5 million over fiscal year 2024. The increases were mostly related to building improvements, computer equipment and other routine capital purchases, being offset by the retirement of large capital items purchased 15 years now being fully depreciated in 2025.

Rent and Utilities

Rent and utilities increased \$2.4 million over fiscal year 2024. Most of the increase was due to the growth of the ECHMN medical clinics in 2025.

Other Expense

Other expenses decreased by \$13.3 million over fiscal year 2024. Other expenses decreased by \$13.3 million in fiscal year 2024 compared to the prior year. This decrease was mainly associated with legal reserves, which contributed approximately \$10.6 million to the overall reduction. The remainder reflected a decrease in insurance and dues and subscriptions. These fluctuations reflect changes in cost structures and risk management strategies during the fiscal year.

El Camino Healthcare District Management's Discussion and Analysis Years Ended June 30, 2025, 2024, and 2023

Nonoperating Revenue (Expense) Items:

Bond Interest Expense, net

Bond interest increased \$2.7 million compared to 2024. This increase was primarily due to associated costs of the refinancing transaction (Series 2025), which were expensed in accordance with applicable GASB standard.

Change in Net Unrealized Gains and Losses on Investments

The Hospital's net unrealized gains on investments were \$75 million in fiscal year 2025, compared to \$143 million in fiscal year 2024. The decrease of \$68 million in fiscal year 2025 was primarily due to portfolio rebalancing and shifts in market conditions. Conversely, the increase of \$62 million in fiscal year 2024 reflected favorable market performance and investment strategy adjustments.

Change in Unrealized Gain on Interest Rate Swaps

Unrealized gain on interest rate swaps increased \$12.5 million compared to 2024. This increase was primarily due to the recognition of an unrealized gain on a newly effective interest rate swap associated with the Series 2025B Bonds.

Economic Factors and Next Year's Budget

The Board approved the fiscal year 2026 budget at the June 2025 meeting. For the fiscal year 2026, budgeted patient days are projected to be flat when comparing to FY2025 actuals.

Fiscal Year 2024 Consolidated Financial Analysis

Net Patient Service Revenues

Net patient service revenue in fiscal year 2024 increased by \$100 million, or 7.2% over fiscal year 2023. This increase was consistent with adjusted patient days increasing by 9%.

<u>Specialty</u>	<u>2024 Days</u>	<u>2023 Days</u>
Total days	<u>122,233</u>	<u>121,703</u>
<u>Specialty</u>	<u>2024 LOS</u>	<u>2023 LOS</u>
Average LOS	<u>4.6</u>	<u>4.6</u>

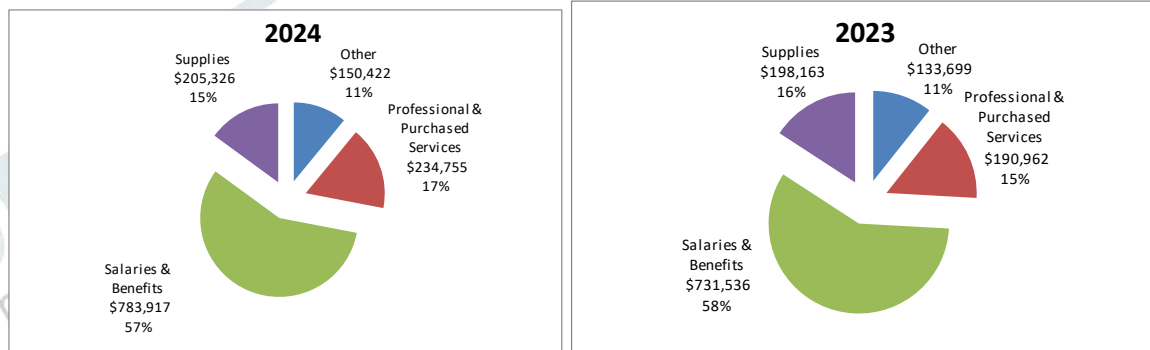
The overall case mix index, which is an indicator of patient acuity, was 1.6 in fiscal year 2024, and 1.57 in fiscal year 2023.

Other Revenue

Other revenue increased by \$12 million in fiscal year 2024 over the prior 2023 fiscal year. The primary increase was due to a \$9.3 million in miscellaneous income and \$1.7 million in capitated revenue.

El Camino Healthcare District Management's Discussion and Analysis Years Ended June 30, 2025, 2024, and 2023

Operating Expenses



Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by \$52.4 million in fiscal year 2024 over 2023, which is 57% of total operating expenses. Full-time equivalents ("FTEs") increased by 133 along with the increase in labor due the high demand for healthcare workers.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave, increased by \$25.1 million.

Significant changes were as follows:

- PTO accrued expense increased by \$6.2 million over the 2023 fiscal year.
- Healthcare (medical, dental, and vision) increased by \$12.1 million in fiscal year 2023.
- Employer match of 403B increased \$2.6 million in 2024 over 2023.
- Adoption of GASB 101 resulting in a \$3.0 million impact in fiscal year 2024.

Professional and Purchased Services

Total professional and purchased services increased by \$43.8 million. Professional services increased by \$21.1 million, with \$12.5 million due to increases in professional services agreements with ECHMN and hospital-based service agreements. Purchased services increase of \$14.7 million was due to inflation and increase in additional support services. Additionally, repairs and maintenance also increased by \$5.8 million.

El Camino Healthcare District Management's Discussion and Analysis Years Ended June 30, 2025, 2024, and 2023

Supplies

Total supplies increased by \$7.2 million or 4% in fiscal year 2024 over 2023. This was mainly due to the increase in volume and inflation factors.

Depreciation and amortization

Depreciation and amortization expense this fiscal year increased by \$3.5 million over fiscal year 2023. The increases were mostly related to building improvements, computer equipment and other routine capital purchases.

Rent and Utilities

Rent and utilities stayed relatively flat year over year.

Other Expense

Other expenses increased by \$14 million over 2023. This was mainly due to \$1.6 million for annual dues, taxes and insurance and the remaining was legal reserves.

Nonoperating Revenue (Expense) Items:

Bond Interest Expense, net

Bond interest stayed relatively flat year over year.

Change in Net Unrealized Gains and Losses on Investments

The Hospital's net unrealized gains on investments were \$143 million in fiscal year 2024, compared to \$81 million in fiscal year 2024. The the increase of \$62 million in fiscal year 2024 was driven primarily by the performance of U.S. equities, primarily U.S. growth equities which outperformed value stocks.

FIDUCIARY MD&A

Overview

The El Camino Hospital Cash Balance Plan (the "Cash Balance Plan") was established on July 1, 1963, by El Camino Hospital (the "Hospital") and has been amended from time to time since that date.

The Hospital also provides healthcare benefits and life insurance under the El Camino Hospital Postretirement Health and Life Insurance Benefit Plan (the "OPEB Plan"), a single-employer defined benefit Postretirement Benefits Plan, for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital.

El Camino Healthcare District **Management's Discussion and Analysis** **Years Ended June 30, 2025, 2024, and 2023**

Financial Highlights – 2025

Cash Balance Plan – During the year ended June 30, 2025, the net position held in trust for pension benefits increased by approximately 10.6%. Employer contributions were \$17 million in 2025 compared to \$14 million in 2024. Benefit payments were \$15.0 million in 2024 compared to \$13.0 million in 2024. Net investment income was \$35.3 million in 2025 compared to net investment income of \$43.4 million in 2024, which was the primary reason for the overall 10.6% increase in net position as of June 30, 2025.

Financial Highlights – 2024

Cash Balance Plan – During the year ended June 30, 2024, the net position held in trust for pension benefits increased by approximately 14.4%. Employer contributions were \$14 million in 2024 compared to \$12 million in 2023. Benefit payments were \$13.0 million in 2024 compared to \$14.2 million in 2023. Net investment income was \$43.4 million in 2024 compared to net investment loss of \$53.1 million in 2023, which was the primary reason for the overall 14% increase in net position as of June 30, 2024.

OPEB Plan – Benefit payments were \$1 million in 2025 and 2024.

Overview of the Fiduciary Financial Statements

The basic financial statements present information about the Cash Balance Plan and OPEB Plan's fiduciary net position and changes in fiduciary net position for the respective years. The basic financial statements also include notes to explain some of the information in the financial statements and to provide more details. The statement of fiduciary net position displays the assets and liabilities and resulting net position of the Plan as of the end of the year. All assets are valued at fair value.

El Camino Healthcare District
Management's Discussion and Analysis
Years Ended June 30, 2025, 2024, and 2023

The following is the abbreviated statement of fiduciary net position and statement of changes in fiduciary net position (in thousands):

	CASH BALANCE PLAN		
	2025	2024	2023
ASSETS			
Investments, at fair value	\$ 386,507	\$ 350,717	\$ 305,344
Receivables	5,100	3,405	3,580
Noninterest-bearing cash	-	-	749
Net pending trades	(112)	-	-
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 391,495</u></u>	<u><u>\$ 354,122</u></u>	<u><u>\$ 309,673</u></u>
ADDITIONS			
Investments income (loss)	\$ 35,332	\$ 43,427	\$ (53,125)
Contributions	17,000	14,035	12,000
Total additions, net	<u>52,332</u>	<u>57,462</u>	<u>(41,125)</u>
DEDUCTIONS			
Deductions	<u>14,959</u>	<u>13,013</u>	<u>14,207</u>
INCREASE (DECREASE) IN NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 37,373</u></u>	<u><u>\$ 44,449</u></u>	<u><u>\$ (55,332)</u></u>
	OPEB PLAN		
	2025	2024	2023
ASSETS			
Investments, at fair value	\$ -	\$ -	\$ -
Receivables	-	-	-
NET POSITION RESTRICTED FOR OPEB	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
ADDITIONS			
Contributions	\$ 1,071	\$ 1,024	\$ 1,001
Total additions	<u>1,071</u>	<u>1,024</u>	<u>1,001</u>
DEDUCTIONS			
Deductions	<u>1,071</u>	<u>1,024</u>	<u>1,001</u>
INCREASE IN NET POSITION RESTRICTED FOR OPEB	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

El Camino Healthcare District **Management's Discussion and Analysis** **Years Ended June 30, 2025, 2024, and 2023**

Cash Balance Plan – During the year ended June 30, 2025, the Cash Balance Plan's fiduciary net position increased by 10.6%. The Cash Balance Plan's policies allow investments consisting of fixed income and equity marketable securities, alternatives, and cash. During the year ended June 30, 2024, the Cash Balance Plan's fiduciary net position decreased by 14%. The Cash Balance Plan's policies allow investments consisting of fixed income and equity marketable securities, alternatives, and cash.

The statement of changes in fiduciary net position reflects the employer contributions and investment return, net of investment expenses, less benefits paid.

The increase in investment income during the year ended June 30, 2025, compared to 2024, is due to a net appreciation in fair value of investments due to positive returns in global security markets and increased returns on the Plan's investments. Benefit payments increased from the prior year due to an increase in the number of retirees and beneficiaries receiving benefits. The increase in investment income during the year ended June 30, 2024, compared to 2023, is due to a net appreciation in fair value of investments due to positive returns in global security markets and increased returns on the Plan's investments. Benefit payments decreased from the prior year due to a decrease in the number of retirees and beneficiaries receiving benefits.

Report of Independent Auditors

The Board of Directors
El Camino Healthcare District

Report on the Audit of the Financial Statements

Opinions

We have audited the consolidated financial statements of the business-type activities and the aggregate remaining fund information of El Camino Healthcare District (the District) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's consolidated financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of El Camino Healthcare District as of June 30, 2025 and 2024, and the respective changes in financial 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 Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. 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 District 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 District's ability to continue as a going concern within one year beyond the consolidated 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 consolidated 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District'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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 18 to the consolidated financial statements, effective July 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*, requiring retroactive application. Accordingly, the fiscal year 2024 consolidated financial statements have been restated to apply this new accounting standard. Our opinion on the consolidated financial statements is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 12 and the accompanying supplemental pension and post-retirement benefit information on pages 66 through 67 be presented to supplement the consolidated financial statements. Such information is the responsibility of management and, although not a part of the consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position, on page 64 through 66, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

The accompanying supplemental schedule of community benefit on page 68 has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

San Francisco, California

October XX, 2025

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Consolidated Financial Statements

El Camino Healthcare District
Consolidated Statements of Net Position
June 30, 2025 and 2024
(In Thousands)

	2025	2024 (as restated)
ASSETS AND DEFERRED OUTFLOWS		
Current assets		
Cash and cash equivalents	\$ 434,491	\$ 232,205
Short-term investments	136,634	129,652
Current portion of board-designated funds	27,323	24,574
Patient accounts receivable, net of allowance for doubtful accounts of \$11,407 and \$12,901 in 2025 and 2024, respectively	240,346	212,990
Current portion of lease receivables	8,229	13,672
Prepaid expenses and other current assets	77,557	68,519
Total current assets	924,580	681,612
Non-current cash and investments		
Board-designated funds	1,744,040	1,576,740
Restricted funds	150	150
Funds held by trustee	35,333	40,234
	1,779,523	1,617,124
Capital assets		
Nondepreciable	345,748	289,495
Depreciable, net	1,001,278	1,037,801
Total capital assets	1,347,026	1,327,296
Right-of-use ("ROU") assets, net of amortization	10,877	15,246
Subscription assets, net of amortization	7,554	12,436
Lease receivables, net of current portion	36,439	32,541
Pledges receivable, net of current portion	2,068	4,349
Prepaid pension asset	115,330	101,925
Investments in healthcare affiliates	39,645	36,664
Interest rate swaps	11,318	-
Beneficial interest in charitable remainder unitrusts	274	4,067
Total assets	4,274,634	3,833,260
Deferred outflows of resources		
Deferred outflows of resources	15,937	11,627
Deferred outflows of resources - loss on bond defeasance	9,359	9,959
Deferred outflows of resources - actuarial	15,720	21,340
Total deferred outflows of resources	41,016	42,926
Total assets and deferred outflows of resources	\$ 4,315,650	\$ 3,876,186

See accompanying notes.

El Camino Healthcare District
Consolidated Statements of Net Position (Continued)
June 30, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u> (as restated)
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 78,327	\$ 71,918
Salaries, wages, and related liabilities	111,448	99,942
Other current liabilities	26,284	26,410
Estimated third-party payor settlements	8,509	13,419
Current portion of lease liabilities	1,418	2,973
Current portion of subscription liabilities	6,065	4,900
Current portion of bonds payable	<u>19,026</u>	<u>14,318</u>
Total current liabilities	251,077	233,880
Bonds payable, net of current portion	620,593	538,362
Lease liabilities, net of current portion	10,354	13,405
Subscription liabilities, net of current portion	2,609	8,674
Other long-term obligations	-	1,589
Workers' compensation, net of current portion	12,374	12,811
Post-retirement medical benefits	<u>22,028</u>	<u>22,737</u>
Total liabilities	<u>919,035</u>	<u>831,458</u>
Deferred inflows of resources		
Deferred inflows of resources	274	4,067
Deferred inflows of resources - leases	46,870	47,538
Deferred inflows of resources - gain on bond defeasance	4,051	-
Deferred inflows of resources - actuarial	<u>8,672</u>	<u>11,654</u>
Total deferred inflows of resources	<u>59,867</u>	<u>63,259</u>
Net position		
Invested in capital assets, net of related debt	738,524	812,580
Restricted - expendable	36,572	33,851
Restricted - nonexpendable	27,721	10,682
Unrestricted	<u>2,533,931</u>	<u>2,124,356</u>
Total net position	<u>3,336,748</u>	<u>2,981,469</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 4,315,650</u></u>	<u><u>\$ 3,876,186</u></u>

See accompanying notes.

El Camino Healthcare District
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2025 and 2024
(In Thousands)

	2025	2024 (as restated)
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of \$9,993 and \$7,085 in 2025 and 2024, respectively)	\$ 1,637,497	\$ 1,477,847
Other revenue	55,726	62,881
Total operating revenues	<u>1,693,223</u>	<u>1,540,728</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	866,557	783,917
Professional fees and purchased services	272,493	234,755
Supplies	237,550	205,326
Depreciation and amortization	92,080	90,567
Rent and utilities	26,080	23,653
Other	22,885	36,202
Total operating expenses	<u>1,517,645</u>	<u>1,374,420</u>
Income from operations	<u>175,578</u>	<u>166,308</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income, net	152,371	162,569
Property tax revenue		
Designated to support community benefit programs and operating expenses	11,450	11,294
Designated to support capital expenditures	15,646	14,278
Levied for debt service	3,746	7,920
Bond interest expense, net	(25,495)	(22,772)
Intergovernmental transfer expense	(5,193)	(6,093)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	17,967	5,367
Unrealized gain on interest rate swaps	13,151	693
Community benefit expense	(11,368)	(11,307)
Other, net	7,426	3,916
Total nonoperating revenues (expenses)	<u>179,701</u>	<u>165,865</u>
Increase in net position	355,279	332,173
TOTAL NET POSITION, beginning of year	<u>2,981,469</u>	<u>2,671,894</u>
CUMULATIVE EFFECT OF RESTATEMENT (note 18)	<u>-</u>	<u>(22,598)</u>
TOTAL NET POSITION, beginning of year, as restated	<u>2,981,469</u>	<u>2,649,296</u>
TOTAL NET POSITION, end of year	<u><u>\$ 3,336,748</u></u>	<u><u>\$ 2,981,469</u></u>

See accompanying notes.

El Camino Healthcare District
Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024
(In Thousands)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		(as restated)
Cash received from and on behalf of patients	\$ 1,600,038	\$ 1,478,870
Other cash receipts	58,007	63,158
Cash payments to employees	(873,073)	(792,575)
Cash payments to suppliers	(600,348)	(524,682)
Net cash provided by operating activities	184,624	224,771
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	27,096	25,572
Restricted contributions and investment income	13,967	5,367
Net cash provided by noncapital financing activities	41,063	30,939
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property, plant, and equipment	(87,050)	(147,558)
Payments on lease liabilities	(2,779)	(2,818)
Payments on subscription liabilities	(4,900)	(4,501)
Proceeds from lease receivables	14,594	13,016
Interest paid on General Obligation ("GO") bonds payable	(5,218)	(5,098)
Proceeds from issuance of bonds payable	274,446	-
Repayments of bonds payable	(185,578)	(13,693)
Proceeds from tax revenue related to GO bonds payable	3,746	7,920
Net cash provided by (used in) capital and related financing activities	7,261	(152,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,749,668)	(2,829,458)
Sales of investments	1,572,637	2,554,563
Proceeds from investment income, net	152,371	162,569
Community benefit and other investing activities	(11,368)	(11,307)
Proceeds from maturity of beneficial interest in trust	4,000	-
Payments to acquire healthcare affiliates	(3,535)	(7,980)
Proceeds from funds held by trustee, net	4,901	22
Net cash used in investing activities	(30,662)	(131,591)
Net increase (decrease) in cash and cash equivalents	202,286	(28,613)
CASH AND CASH EQUIVALENTS at beginning of year	232,205	260,818
CASH AND CASH EQUIVALENTS at end of year	\$ 434,491	\$ 232,205

See accompanying notes.

El Camino Healthcare District
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2025 and 2024
(In Thousands)

	2025	2024
		(as restated)
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	\$ 188,729	\$ 166,308
Adjustments to reconcile income from operations to net cash from operating activities		
Gain on disposal of property, plant and equipment	-	(208)
Amortization of bond premium	(1,929)	(2,240)
Depreciation and amortization	92,080	90,567
Amortization of deferred inflows - leases	(13,717)	(12,702)
Deferred inflows/outflows of resources - actuarial	2,638	10,908
Provision for bad debts	9,993	7,085
Deferred inflows of resources - gain on bond defeasance	4,051	-
Unrealized gain on interest rate swaps	(13,151)	(693)
Changes in assets and liabilities		
Patient accounts receivable, net	(37,349)	(2,093)
Prepaid pension asset	(13,405)	(26,820)
Prepaid expenses and other current assets	(9,913)	(12,887)
Current liabilities	(17,591)	6,180
Other long-term obligations	(5,103)	2,173
Subscription liabilities/assets	-	698
Post-retirement medical benefits	(709)	(1,505)
Net cash provided by operating activities	<u>\$ 184,624</u>	<u>\$ 224,771</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Noncash purchase of property, plant, and equipment	<u>\$ 17,688</u>	<u>\$ 12,338</u>
Change in fair value of beneficial interest in charitable remainder unitrusts, and deferred inflow of resources, net	<u>\$ (3,793)</u>	<u>\$ 52</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Noncash acquisition of ROU assets	<u>\$ 453</u>	<u>\$ 3,132</u>
Acquisition of lease receivables	<u>\$ 13,049</u>	<u>\$ 17,317</u>
Noncash acquisition of subscription assets	<u>\$ -</u>	<u>\$ 3,435</u>

See accompanying notes.

El Camino Healthcare District
Statements of Fiduciary Net Position
June 30, 2025 and 2024
(In Thousands)

	CASH BALANCE PLAN		OPEB PLAN		TOTAL	
	2025	2024	2025	2024	2025	2024
ASSETS						
Investments						
Mutual funds	\$ 246,528	\$ 226,517	\$ -	\$ -	\$ 246,528	\$ 226,517
Limited liability companies	67,317	59,591	-	-	67,317	59,591
Common stock	40,187	34,075	-	-	40,187	34,075
Partnerships	6,010	7,693	-	-	6,010	7,693
Pooled, common and collective trusts	13,023	12,168	-	-	13,023	12,168
Corporate bonds	66	123	-	-	66	123
U.S. government securities	3,468	2,487	-	-	3,468	2,487
Cash and cash equivalents	9,908	8,063	-	-	9,908	8,063
Total investments, at fair value	386,507	350,717	-	-	386,507	350,717
Receivables						
Employer contributions	5,000	3,303	-	-	5,000	3,303
Interest and dividends	100	102	-	-	100	102
Total receivables	5,100	3,405	-	-	5,100	3,405
Net pending trades	(112)	-	-	-	(112)	-
NET POSITION RESTRICTED FOR PENSIONS	\$ 391,495	\$ 354,122	\$ -	\$ -	\$ 391,495	\$ 354,122

See accompanying notes.

El Camino Healthcare District
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2025 and 2024
(In Thousands)

	CASH BALANCE PLAN		OPEB PLAN		TOTAL	
	2025	2024	2025	2024	2025	2024
ADDITIONS						
Investments income						
Net appreciation in fair value of investments	\$ 27,697	\$ 36,831	\$ -	\$ -	\$ 27,697	\$ 36,831
Dividends	6,535	5,852	-	-	6,535	5,852
Interest	1,100	744	-	-	1,100	744
Total investment income	35,332	43,427	-	-	35,332	43,427
Contributions						
Employer contributions	17,000	14,035	1,071	1,024	18,071	15,059
Pending investment settlements	-	-	-	-	-	-
Total contributions	17,000	14,035	1,071	1,024	18,071	15,059
Total additions, net	52,332	57,462	1,071	1,024	53,403	58,486
DEDUCTIONS						
Benefits paid to participants	15,125	12,975	1,071	1,024	16,196	13,999
Administrative expenses	(166)	38	-	-	(166)	38
Total deductions	14,959	13,013	1,071	1,024	16,030	14,037
INCREASE IN NET POSITION	37,373	44,449	-	-	37,373	44,449
NET POSITION RESTRICTED FOR PENSIONS						
Beginning of year	354,122	309,673	-	-	354,122	309,673
End of year	\$ 391,495	\$ 354,122	\$ -	\$ -	\$ 391,495	\$ 354,122

See accompanying notes.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Note 1 – Organization and Summary of Significant Accounting Policies

Organization – The El Camino Healthcare District (the “District”) includes the following component units, which are included as blended component units of the District’s consolidated financial statements: El Camino Hospital (the “Hospital”), El Camino Hospital Foundation (the “Foundation”), CONCERN: Employee Assistance Program (“CONCERN”), and Silicon Valley Medical Network d.b.a El Camino Health Medical Network (“ECHMN”).

The District is organized as a political subdivision of the State of California and was created for the purpose of operating an acute care hospital and providing management services to certain related corporations. The District is the sole member of the Hospital, and the Hospital is the sole corporate member of the Foundation and CONCERN. As sole member, the District (with respect to the Hospital) and the Hospital (with respect to the Foundation and CONCERN) have certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws.

ECHMN was organized as a California Limited Liability Corporation (“LLC”) that was formed in 2008. Starting in fiscal year 2019 and continuing into the current fiscal year, ECHMN has expanded to 19 clinic and urgent care sites.

All significant inter-entity accounts and transactions have been eliminated in the consolidated financial statements.

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and consolidated financial statements are prepared using the economic resources measurement focus.

The District has fiduciary responsibility for the El Camino Hospital Cash Balance Plan and El Camino Hospital Postretirement Health and Life Insurance Benefit Plan. See Notes 7 and 8.

El Camino Hospital Cash Balance Plan (the Plan) – The Plan was originally adopted as a defined benefit plan and was amended and restated in its entirety to a cash-balance formula effective January 1, 1995. Effective January 1, 2014, the Plan was restated and amended. The Plan is administered by the sponsor, El Camino Hospital (the “Hospital”), and Plan assets are held by the custodian of the Plan, Wells Fargo Bank, N.A. (“Wells Fargo”). The Plan is a noncontributory defined benefit plan intended to qualify under Section 401(a) of the Internal Revenue Code (“IRC”). At December 31, 2024, there were 5,610 Plan participants consisting of 3,797 active participants and 1,813 inactive or separated participants, and at December 31, 2023, there were 5,148 Plan participants consisting of 3,360 active participants and 1,788 inactive or separated participants.

El Camino Hospital Postretirement Health and Life Insurance Benefit Plan – The Hospital also provides healthcare benefits and life insurance under the El Camino Hospital Postretirement Health and Life Insurance Benefit Plan (the “OPEB Plan”), a single-employer defined benefit Postretirement Benefits Plan, for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Accounting standards – Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the District’s proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989, and the California Code of Regulations, Title 2, Section 1131, State Controller’s *Minimum Audit Requirements* for California Special Districts and the State Controller’s Office prescribed reporting guidelines.

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates include contractual allowances related to net patient service revenue, provision for uncollectible accounts, fair market values of investments, fair value of interest rate swaps, uninsured losses for professional liability, minimum pension liability, workers’ compensation liability, post-retirement medical benefits liability, valuation of gift annuities and beneficial interest in charitable remainder unitrusts, useful lives of capital assets, discount rate for leases, useful lives of right-of-use assets, deferred inflows of resources, probability of accumulated leave being used or settled and the timing of those payments related to calculation of employee sick leave accrual, subscription term of subscription assets, and discount rates used for subscription liabilities. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include deposits with financial institutions, and investments in highly liquid debt instruments with an original maturity of three months or less. In addition, in fiscal years 2025 and 2024, cash and cash equivalents include repurchase agreements, which consist of highly liquid obligations of U.S. governmental agencies. Cash and cash equivalents exclude amounts whose use is limited by board designation or by legal restriction.

Investments – Investments consist primarily of highly liquid debt instruments and other short-term interest-bearing certificates of deposit, U.S. Treasury bills, U.S. government obligations, hedge funds, hedge fund of funds, and corporate debt, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Board-designated and restricted funds include assets set aside by the Board of Directors (the “Board”) for future capital improvements and other operational reserves, over which the Board retains control and may at its discretion use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law; and assets restricted by donors or grantors.

Investment income, realized gains and losses, and unrealized gains and losses on investments are reflected as nonoperating revenue or expense.

Funds held by trustee – According to the terms of both indenture agreements (General Obligation and Revenue Bonds), these amounts are held by the bond trustee and paying agent and are maintained and managed by an investment manager or the trustee. These assets are available for the settlement of future current bond obligations and capital expenditures.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Lease receivables – The District’s lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the District may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflows of resources are amortized on an effective interest method basis over the term of each lease.

Capital assets – Capital asset acquisitions are recorded at cost. Donated property is recorded at its fair market value on the date of donation. All purchases over \$7,500 are capitalized. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	15 years
Buildings and fixtures	25 to 40 years
Equipment	5 to 10 years

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Right-of-use assets – The District has recorded right-to-use lease assets as a result of implementing Governmental Accounting Standards Board (“GASB”) No. 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liabilities plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription assets – The District has recorded subscription assets as a result of implementing GASB No. 96. The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liabilities plus any contract payments made to the SBITA vendor at the commencement of the subscription term, capitalizable initial implementation cost, less any incentive payments received from the SBITA vendor at the commencement of the subscription term. The subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying assets.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Prepaid expenses and other current assets – Prepaid expenses and other current assets consist primarily of premiums paid in advance, inventories, dues, and other receivables related to new capitation and hospitalist contracts associated with ECHMN. Prepaid expenses and other current assets consisted of the following at June 30:

	2025	2024
Inventory	\$ 23,815	\$ 27,826
Prepaid expense and other deposits	40,233	27,607
Other receivables	13,509	13,086
	<u>\$ 77,557</u>	<u>\$ 68,519</u>

Investments in healthcare affiliates – The Hospital holds an interest in Pathways Home Health & Hospice (“Pathways”), and five Satellite Dialysis Centers, which are reported using the equity method of accounting.

Affiliate	Percent interest
Pathways	50%
Satellite Dialysis	30%

Deferred outflows and inflows – The District records deferred outflows or inflows of resources in its consolidated financial statements for consumption or acquisition of its consolidated net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

	2025	2024
Deferred outflows of resources as of June 30:		
Deferred outflows of resources - loss on bond defeasance	\$ 9,359	\$ 9,959
Deferred outflows of resources - goodwill	4,437	4,627
Deferred outflows of resources - employee benefit plan contributions	11,500	7,000
Deferred outflows - actuarial, employee benefit plan	15,720	21,340
Total	<u>\$ 41,016</u>	<u>\$ 42,926</u>
Deferred inflows of resources as of June 30:		
Deferred inflows of resources - charitable remainder unitrusts	\$ 274	\$ 4,067
Deferred inflows of resources - leases	46,870	47,538
Deferred inflows of resources - gain on bond defeasance	4,051	-
Deferred inflows - actuarial, employee benefit plan	8,624	11,539
Deferred inflows - actuarial, post-retirement medical benefits	48	115
Total	<u>\$ 59,867</u>	<u>\$ 63,259</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

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

Self-insurance plans – The Hospital maintains professional liability insurance on a claims-made basis, with liability limits of \$40,000,000 in aggregate, which is subject to a \$500,000 deductible. Additionally, the Hospital is self-insured for workers' compensation benefits up to \$1,000,000 per occurrence. The Hospital also maintains excess workers' compensation insurance for claims greater than the \$1,000,000 per occurrence limit. Actuarial estimates of uninsured losses for professional liability and workers' compensation have been accrued as other current liabilities and workers' compensation, net of current portion, respectively, in the accompanying consolidated financial statements.

The following is a summary of changes in workers' compensation liabilities for the years ended June 30 (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2025	\$ 15,111	\$ 2,196	\$ 2,633	\$ 14,674	\$ 2,300
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2024	\$ 15,798	\$ 1,146	\$ 1,833	\$ 15,111	\$ 2,300

Compensated absences – Effective July 1, 2024, the District retroactively adopted GASB Statement No. 101, *Compensated Absences*, to establish a unified model for recognizing and measuring the liability for employee leave, such as vacation and sick leave, that is attributable to services rendered, accumulates, and is more likely than not to be used or settled. The liability is generally measured using the employee's pay rate as of the financial statement date and includes directly and incrementally associated salary-related payments. This change in accounting policy resulted in a restatement of beginning net position as of July 1, 2023, of \$22.6 million and an increase to benefit expense for the fiscal year ended June 30, 2024, of \$3.0 million. For most employees, the maximum accumulated vacation is 400 hours. The disclosure of the compensated absences liability in the footnotes shows the net change during the period, with the District no longer disclosing gross changes or the funds typically used for liquidation. See Note 18 for restatement footnote.

El Camino Healthcare District

Notes to Consolidated Financial Statements

The following is a summary of changes in compensated absences transactions, as included in salaries, wages, and related liabilities in the consolidated statements of net position, for the years ended June 30 (in thousands):

	<u>Beginning Balance</u>	<u>Net change</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2025	\$ 64,228	\$ 7,383	\$ 71,611	\$ 71,611
	<u>Beginning Balance</u>	<u>Net change</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2024	\$ 58,702	\$ 5,526	\$ 64,228	\$ 64,228

Lease liabilities – The District recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceeding \$12,000 that meet the definition of an other than short-term lease. The District uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the District's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

The following is a summary of changes in lease liabilities, net for the years ended June 30 (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2025	\$ 16,378	\$ 453	\$ 5,059	\$ 11,772	\$ 1,418
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2024	\$ 16,064	\$ 3,100	\$ 2,786	\$ 16,378	\$ 2,973

El Camino Healthcare District

Notes to Consolidated Financial Statements

Subscription liabilities – The District entered into various agreements for IT subscriptions. These agreements range in terms up to year 2028. Total lease payments were \$5.3 million and \$4.5 million for fiscal years 2025 and 2024, respectively. Some SBITAs include one or more options to renew and may also include options to terminate the subscription. SBITAs do not contain any material incentive paid, material restrictive covenants or material termination penalties. The District measures the SBITA liability at the present value of payments expected to be made during the subscription term. SBITAs with a term of 12 months or less, or arrangements that have a term exceeding one year and the cumulative future payments on the contract are less than \$1 million, are recognized as operating expense on a straight-line basis over the subscription term. If the interest rate implicit in the SBITA cannot be readily determined, the District uses an incremental borrowing rate to discount the SBITA payments, which is an estimate of the interest rate that would be charged for borrowing the SBITA payment amounts during the subscription term.

The following is a summary of changes in subscription liabilities, net for the years ended June 30 (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2025	\$ 13,574	\$ -	\$ 4,900	\$ 8,674	\$ 6,065
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2024	\$ 14,090	\$ 3,128	\$ 3,644	\$ 13,574	\$ 4,900

Interest rate swap agreements – During the prior fiscal year, the Hospital held interest rate swap agreements related to variable rate debt issued in 2009 (Series 2009), which were intended to mitigate exposure to interest rate variability but were not designated as hedging derivative instruments under GASB Statement No. 53. In the current fiscal year, the Series 2009 debt was refunded with the issuance of Series 2025 Bonds, and the related swaps were effectively replaced with new derivative instruments. A forward-starting fixed payor swap executed in 2020 became effective in February 2025 in connection with the Series 2025B Bonds. An additional swap, also not designated as a hedge, is associated with the Series 2025C Bonds and economically offsets a portion of the Hospital's variable rate exposure. Refer to Note 10 for a full description of the interest rate swap agreements and their accounting treatment.

Net position – Net position of the District is classified as invested in capital assets, restricted-expendable, restricted-nonexpendable, and unrestricted net position.

Invested in capital assets, net of related debt – Invested in capital assets of \$738,524,000 and \$812,850,000 at June 30, 2025 and 2024, respectively, represent investments in all capital assets (building and building improvements, furniture and fixtures, and information and technology equipment), net of depreciation and amortization less any debt issued to finance those capital assets.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Restricted-expendable – The restricted-expendable net position is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation and includes assets in self-insurance trust funds, revenue bond reserve fund assets, and net position restricted to use by donors.

Restricted-nonexpendable – The restricted-nonexpendable net position is equal to the principal portion of permanent endowments.

Unrestricted net position – Unrestricted net position consists of net position that does not meet the definition of invested in capital assets, net of related debt, or restricted.

Statements of revenues, expenses, and changes in net position – For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provisions of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. These peripheral activities include investment income, property tax revenue, gifts, grants and bequests, change in net unrealized gains and losses on short-term investments, unrealized losses or gains on interest rate swap, and nonexchange contributions received from the Foundation's fundraising activities and are reported as nonoperating. Investments in Pathways Home Health & Hospice and Satellite Dialysis of Mountain View, LLC, are accounted for under the equity method. The Hospital's share of the operating income of these entities is included as other, net in the consolidated financial statements.

Net patient service revenue and patient accounts receivable – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined. The distribution of net patient accounts receivable by payor is as follows:

	June 30,	
	2025	2024
Medicare	11%	13%
Medi-Cal	3%	3%
Commercial and other	83%	81%
Self pay	3%	3%
	100%	100%

Provision for uncollectible accounts – The Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of estimated costs for services and supplies furnished under the Hospital's charity care policy aggregated approximately \$4,275,000 and \$5,262,000 for the years ended June 30, 2025 and 2024, respectively.

Property tax revenue – The District received approximately 9% in 2025 and 10% in 2024 of its total increase in net position from property taxes. These funds were designated as follows (in thousands):

	2025	2024
Designated to support community benefit programs and operating expenses	\$ 11,450	\$ 11,294
Designated to support capital expenditures	\$ 15,646	\$ 14,278
Levied for debt service	\$ 3,746	\$ 7,920

Property taxes are levied by the County of Santa Clara on the District's behalf on January 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as nonoperating revenue by the District when they are earned.

Grants and contributions – From time to time, the District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Income taxes – The District operates under the purview of the Internal Revenue Code (the "Code"), Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. CONCERN has also been granted tax-exempt status. However, income from the unrelated business activities of the Hospital and the Foundation is subject to income taxes. ECHMN is a limited liability company and is treated as a pass-through entity for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying consolidated financial statements.

New accounting pronouncements – In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement modifies the basic financial statements and MD&A to enhance governmental financial reports. Changes include revisions to MD&A, modifications to proprietary fund statements, elimination of separate extraordinary and special item presentations, and changes to budgetary comparison information. This Statement is effective for fiscal years beginning after June 15, 2025. The District is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

El Camino Healthcare District

Notes to Consolidated Financial Statements

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This statement requires separate disclosure of certain capital assets in the notes, such as lease, intangible right-to-use, and subscription assets, each by major class. It also establishes new disclosure requirements for capital assets that a government has decided to sell and for which a sale is probable within one year. This Statement is effective for fiscal years beginning after June 15, 2025, with retroactive application required upon adoption. The District is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Reclassifications – Certain reclassifications of prior years' balances and disclosures have been made to conform with the current year presentations. These reclassifications did not affect the total increase in net position or total current or long-term assets or liabilities. The restatement related to the adoption of GASB Statement No. 101, which resulted in adjustments to beginning net position and expense, is separately disclosed in Note 18.

Note 2 – Operating Revenues

The Hospital and ECHMN have agreements with third-party payors that provide for payments to the Hospital and ECHMN at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

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 based on clinical, diagnostic, and other factors. Inpatient services are paid at prospectively determined rates per discharge. Payments for outpatient services are based on a stipulated amount per procedure. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The effect of updating prior-year estimates for Medicare and other liabilities was to increase 2025 income from operations by \$4,910,000, compared to 2024 which was a decrease to income from operations by \$2,125,000. The Hospital's cost reports have been audited by the Medicare fiscal intermediary through June 30, 2018.

Non-Designated Public Hospitals ("NDPHs"), including the Hospital, were authorized, in 2011's Assembly Bill ("AB") 113, to use intergovernmental transfers ("IGTs") to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service. The IGTs are used to bring NDPHs, in the aggregate, up to their upper payment limit ("UPL"). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For the years ended June 30, 2025 and 2024, the Hospital recognized amounts under the IGT program of \$14,016,000 and \$14,886,000, respectively, which have been reported as net patient service revenue.

Medi-Cal and contracted rate payors are paid on a percentage of charges, per diem, per discharge, fee schedule, or a combination of these methods.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Other revenue for the years ended June 30, consisted of the following:

	2025	2024
Rental income	\$ 14,062	\$ 12,990
Prime IGT	5,520	4,526
ECHMN other revenue	4,603	2,267
CONCERN & ECHMN capitated revenue	17,790	18,975
Other operating revenue	13,751	24,123
	<u>\$ 55,726</u>	<u>\$ 62,881</u>

Note 3 – Cash Deposits

The District has deposits held by various financial institutions in the form of operating cash and cash equivalents. At June 30, 2025 and 2024, District cash deposits had carrying amounts of \$434,491,000 and \$232,205,000, respectively, and bank balances of \$441,211,000 and \$236,352,000, respectively. All of these funds were held in cash deposits, which are collateralized with the California Government Code (“CGC”), except for \$250,000 per account that is federally insured by the Federal Deposit Insurance Corporation (“FDIC”). Under the provision of the CGC, California banks and savings and loan associations are required to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District’s deposits. California law also allows financial institutions to secure the District’s deposits by pledging first trust deed mortgage having a value of 150% of the District’s deposits. The pledged securities are held by the pledging financial institution’s trust department in the name of the District.

The District participated in a cash management program provided by its primary depository institution that allows cash in District concentration accounts to be swept daily and invested overnight in reverse agreements that are not exposed to custodial credit risk because the underlying securities are held by the buyer-lender.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Note 4 – Board-Designated Funds, Funds Held By Trustee, Restricted Funds, and Investments

Board-designated funds, funds held by trustee, restricted funds, and short-term investments, collectively, comprised the following (in thousands) as of June 30:

	2025	2024
Included in the following consolidated statements of net position captions:		
Short-term investments	\$ 136,634	\$ 129,652
Current portion of board designated and funds held by trustee	27,323	24,574
Board designated, funds held by trustee, and restricted funds, less current portion	<u>1,779,523</u>	<u>1,617,124</u>
Total carrying amount of deposits and investments	<u><u>\$ 1,943,480</u></u>	<u><u>\$ 1,771,350</u></u>

At June 30, 2025, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	\$ 145,621	\$ 145,621	\$ -	\$ -	\$ -
Government and agencies	400,894	101,098	95,588	35,746	168,462
Corporate bonds	180,999	11,563	122,868	30,945	15,623
Domestic fixed income	<u>1,453</u>	<u>1,453</u>	<u>-</u>	<u>-</u>	<u>-</u>
	728,967	<u>\$ 259,735</u>	<u>\$ 218,456</u>	<u>\$ 66,691</u>	<u>\$ 184,085</u>
Equities	112,814				
Mutual funds	442,364				
Real estate funds	185,669				
Hedge funds	<u>473,666</u>				
Total	<u><u>\$ 1,943,480</u></u>				

At June 30, 2024, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	\$ 103,087	\$ 103,087	\$ -	\$ -	\$ -
Government and agencies	334,321	21,220	121,890	5,094	186,117
Corporate bonds	189,850	18,209	105,123	32,961	33,557
Domestic fixed income	<u>42,418</u>	<u>42,418</u>	<u>-</u>	<u>-</u>	<u>-</u>
	669,676	<u>\$ 184,934</u>	<u>\$ 227,013</u>	<u>\$ 38,055</u>	<u>\$ 219,674</u>
Equities	101,706				
Mutual funds	392,895				
Real estate funds	171,059				
Hedge funds	<u>436,014</u>				
Total	<u><u>\$ 1,771,350</u></u>				

El Camino Healthcare District

Notes to Consolidated Financial Statements

Interest rate risk – Through its investment policies, the District manages its exposure to fair value losses arising from increasing interest rates by limiting duration of fixed-income securities in its portfolio to no more than 30% of the designated benchmark.

Credit risk – District investment policies require fixed income investments to have a minimum of 85% of a money manager's assets in investment grade assets. The investment policy requires investment managers maintain an average of A- or higher ratings as issued by a nationally recognized rating organization. Additionally, the investment policy requires no more than 5% of a money manager's portfolio at the time of purchase shall be invested in the securities of any one issuer, with the exception of a United States government agency, agency MBS, or other Sovereign issues rated AAA or Aaa.

Foreign currency risk – The District's investment policy permits it to invest up to 30% of total investments in foreign currency denominated investments.

Alternative investments risk – The District's alternative investments include ownership interest in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies including absolute return, hedge, venture capital, private equity, and other strategies. Investments in this category may employ leverage to enhance the investment return. The District's holdings can include financial assets such as marketable securities, nonmarketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally, these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously relating to equities and fixed-income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations determined by the investment manager, who has a conflict of interest in that he or she is compensated for performance, are considered and reviewed by the District's Investment Committee and the Board of Directors. Real assets may be subject to physical damage from a variety of means, loss from natural causes, theft of assets, lawsuits involving rights, and other loss and damage including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from natural causes. Intangible assets are subject to legal challenge and other possible impairment.

El Camino Healthcare District

Notes to Consolidated Financial Statements

The carrying amount of deposits and investments are included in the District's consolidated statements of net position as follows (in thousands):

	Amortized Cost	Gross Unrealized		Carrying Value
		Gains	Losses	
2025				
Cash and cash equivalents	\$ 145,621	\$ -	\$ -	\$ 145,621
Mutual funds	237,362	207,223	(2,221)	442,364
Real estate funds	138,932	46,737	-	185,669
Hedge funds	358,075	118,475	(2,884)	473,666
Equities	94,576	23,053	(4,815)	112,814
Fixed income securities	582,984	8,083	(7,721)	583,346
	<u>\$ 1,557,550</u>	<u>\$ 403,571</u>	<u>\$ (17,641)</u>	<u>\$ 1,943,480</u>
	Amortized Cost	Gross Unrealized		Carrying Value
		Gains	Losses	
2024				
Cash and cash equivalents	\$ 104,091	\$ -	\$ -	\$ 104,091
Mutual funds	222,216	173,150	(2,471)	392,895
Real estate funds	138,055	33,004	-	171,059
Hedge funds	345,540	92,045	(1,571)	436,014
Equities	79,546	25,294	(3,134)	101,706
Fixed income securities	572,593	4,970	(11,978)	565,585
	<u>\$ 1,462,041</u>	<u>\$ 328,463</u>	<u>\$ (19,154)</u>	<u>\$ 1,771,350</u>

Note 5 – Fair Value

Fair value is defined as 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 fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

El Camino Healthcare District

Notes to Consolidated Financial Statements

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the consolidated statements of net position at June 30, 2025 and 2024, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Mutual funds: Shares of mutual funds are valued at the net asset value ("NAV") of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Common stock: Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Asset-backed securities: Asset-backed securities are valued via model using various inputs such as but not limited to daily cash flow, U.S. Treasury market, floating rate indices such as LIBOR and Prime as a benchmark yield, spread over index, periodic and life caps, next coupon adjustment date, and convertibility of the bond.

Corporate bonds, foreign bonds, and municipal bonds: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government securities: Fixed income funds are valued at the NAV of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Pooled, common & collective trusts: Investments are valued using the NAV of the fund. The NAV of a pooled or collective investment fund is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund.

Hedge funds: The fair value of the investments is recorded at the investment manager's net asset values, as determined by the fund administrator and subsequently audited by an external third party. The administrator has the appropriate expertise to determine the NAV. The District assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within investment managers' audited financial statements.

Limited Liability Company and Limited Partnership Interests: The valuation of partnership interests may require significant management judgement. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Specifically, inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances.

Interest rate swap: The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Beneficial interest in charitable remainder unitrusts: The beneficial interest in charitable remainder unitrusts is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts.

The following table presents the fair value measurements of financial instruments for the consolidated District financials, recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the GASB No. 72 fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

Description	Level 1	Level 2	Level 3	2025
Investments by fair value level				
Asset backed securities				
Asset backed obligations	\$ -	\$ 10,752	\$ -	\$ 10,752
Mortgage backed obligations	-	66,994	-	66,994
U.S. Government Mortgage Pool	-	102,118	-	102,118
Common stock				
ADR & U.S. foreign stock	19,436	-	-	19,436
Consumer discretionary	10,012	-	-	10,012
Energy	22,638	-	-	22,638
Financial services industry	20,059	-	-	20,059
Healthcare industry	8,152	-	-	8,152
Industrials	3,562	-	-	3,562
Information Technology	18,034	-	-	18,034
Materials	10,921	-	-	10,921
Corporate, municipal and foreign bonds				
Corporate bonds	-	134,969	-	134,969
Foreign corporate bonds	-	21,889	-	21,889
Foreign government bonds	-	3,246	-	3,246
Municipal taxable	-	3,950	-	3,950
Preferred stocks	1,453	-	-	1,453
Private placement - factored	-	1,853	-	1,853
Private placements	-	19,043	-	19,043
Mutual funds				
Mutual funds - equity	428,551	-	-	428,551
Mutual funds - taxable	13,814	-	-	13,814
U.S. Government securities				
U.S. treasury notes and bonds	217,078	-	-	217,078
Limited partnership interests	-	-	32,868	32,868
Total investments by fair value level	<u>\$ 773,710</u>	<u>\$ 364,814</u>	<u>\$ 32,868</u>	<u>1,171,392</u>
Cash equivalents				<u>145,718</u>
Investments measured at NAV				
Pooled, common & collective trusts				172,422
Equity hedge funds				203,687
Credit hedge funds				29,588
Macro hedge funds				14,591
Relative value hedge funds				161,614
Fixed income limited partnership				<u>44,468</u>
Total investments measured at NAV				<u>626,370</u>
Total investments				<u>\$ 1,943,480</u>
Beneficial interest in charitable remainder unitrusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274</u>	<u>\$ 274</u>
Interest rate swaps	<u>\$ -</u>	<u>\$ 11,318</u>	<u>\$ -</u>	<u>\$ 11,318</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

Description	Level 1	Level 2	Level 3	2024
Investments by fair value level				
Asset backed securities				
Corporate backed obligations	\$ -	\$ 20,330	\$ -	\$ 20,330
Mortgage backed obligations	-	55,056	-	55,056
U.S. Government Mortgage Pool	-	88,029	-	88,029
Common stock				
ADR & U.S. foreign stock	13,790	-	-	13,790
Consumer discretionary	20,270	-	-	20,270
Energy	18,659	-	-	18,659
Financial services industry	10,255	-	-	10,255
Healthcare industry	10,235	-	-	10,235
Information Technology	17,314	-	-	17,314
Materials	11,183	-	-	11,183
Corporate, municipal and foreign bonds				
Corporate bonds	-	133,189	-	133,189
Foreign corporate bonds	-	22,542	-	22,542
Foreign government bonds	-	2,349	-	2,349
Municipal taxable	-	2,919	-	2,919
Preferred stocks	1,446	-	-	1,446
Private placement - factored	-	2,069	-	2,069
Private placements	-	29,702	-	29,702
Mutual funds				
Mutual funds - equity	379,923	-	-	379,923
Mutual funds - taxable	12,972	-	-	12,972
U.S. Government securities				
U.S. treasury notes and bonds	167,987	-	-	167,987
Limited partnership interests	-	-	43,720	43,720
Total investments by fair value level	<u>\$ 664,034</u>	<u>\$ 356,185</u>	<u>\$ 43,720</u>	<u>1,063,939</u>
Cash equivalents				<u>104,091</u>
Investments measured at NAV				
Pooled, common & collective trusts				156,686
Equity hedge funds				189,087
Credit hedge funds				38,297
Macro hedge funds				19,018
Relative value hedge funds				159,260
Fixed income limited partnership				<u>40,972</u>
Total investments measured at NAV				<u>603,320</u>
Total investments				<u>\$ 1,771,350</u>
Beneficial interest in charitable remainder unitrusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,067</u>	<u>\$ 4,067</u>
Interest rate swaps	<u>\$ -</u>	<u>\$ (1,585)</u>	<u>\$ -</u>	<u>\$ (1,585)</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

The following table provides the fair value and redemption terms and restrictions for investments redeemable NAV at June 30 (in thousands):

	2025 Fair Value	2024 Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Pooled, common & collective trusts	\$ 172,422	\$ 41,774	\$ -	Monthly	30 days
Equity hedge funds	203,687	189,087	-	Quarterly	90 days
Credit hedge funds	29,588	38,297	-	Monthly, Quarterly	15 - 60 days
Macro hedge funds	14,591	133,930	-	Monthly, Quarterly	5 - 90 days
Relative value hedge funds	161,614	159,260	-	Quarterly, Annually	45 days
Fixed income limited partnership	44,468	40,972	-	Monthly	1 day
Total investments measured at NAV	<u>\$ 626,370</u>	<u>\$ 603,320</u>	<u>\$ -</u>		
Limited partnership interests	<u>\$ 32,868</u>	<u>\$ 43,720</u>	<u>\$ 13,585</u>	n/a	n/a

Pooled, common & collective trusts – includes investments that invest in domestic equity. Investments are valued using the NAV per share of the fund. The NAV per share is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the number of shares outstanding.

Approximately 76% and 73% as of June 30, 2025, and 2024, respectively, of the value of the investments may include lock up, imposed gates, and other restrictions that preclude them from redeeming their share or ownership interest for an uncertain or extended period of time from the measurement date.

Equity hedge funds – includes investments that employ both long and short strategies primarily in common stocks. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity related derivatives. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 8% of the value of the investments in this type include restrictions such as certain classes with side pocket investments which may only be redeemed upon realization of the underlying investments.

Credit hedge funds – includes investments that are comprised of distressed securities, credit long/short, emerging market debt and credit event driven. Credit hedge strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. The fair values of the investments in this type have been determined using the NAV per share of the investments. All of the investments in this type include restrictions that do not allow for redemptions in the first year after acquisition and other imposed gates.

Macro hedge funds – includes investments that invests in global macro, managed futures, commodities and currencies. Macro hedge strategies typically have a directional bias and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed future strategies trade similar instruments but are typically implemented by computerized system. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Relative value hedge funds – includes investments that typically does not display a distinct directional bias. Relative value encompasses a range of strategies covering different asset classes. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Approximately 35% and 33% as of June 30, 2025, and 2024, respectively, of the value of the investments may include lock up, imposed gates, and other restrictions that preclude them from redeeming their share or ownership interest for an uncertain or extended period of time from the measurement date.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Fixed-income limited partnership – includes investments in a limited partnership fund of funds that invest primarily in investment grade non-U.S. dollar denominated fixed income securities. The fund may enter into swap agreements, forward settlement agreements, futures, contracts, and options on future contracts as well as purchase and sell covered put and call options. Investments are valued using the NAV per share of the fund. There is a provision in the limited partnership agreement that allows the general partner to limit redemption under certain circumstances.

Limited partnership interests – investments in closed-end, commitment based private equity real estate partnerships. The valuation of partnership interests in these funds may require significant management judgement. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund.

The following table presents the fair value measurements of financial instruments recognized in the accompanying fiduciary statements of net position measured at fair value on a recurring basis and the level within the GASB No. 72 fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

	2025			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 9,908	\$ -	\$ -	\$ 9,908
Common stock	40,187	-	-	40,187
Corporate bonds	-	66	-	66
Mutual funds	246,528	-	-	246,528
U.S. government securities	3,468	-	-	3,468
Total assets in the fair value hierarchy	<u>\$ 300,091</u>	<u>\$ 66</u>	<u>\$ -</u>	300,157
Investments measured at NAV practical expedient				<u>86,350</u>
Total assets, at fair value				<u>\$ 386,507</u>

	2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 8,063	\$ -	\$ -	\$ 8,063
Common stock	34,075	-	-	34,075
Corporate bonds	-	123	-	123
Mutual funds	226,517	-	-	226,517
U.S. government securities	2,487	-	-	2,487
Total assets in the fair value hierarchy	<u>\$ 271,142</u>	<u>\$ 123</u>	<u>\$ -</u>	271,265
Investments measured at NAV practical expedient				<u>79,452</u>
Total assets, at fair value				<u>\$ 350,717</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

The following table provides the fair value and redemption terms and restrictions for investments redeemable NAV at June 30 (in thousands), for the fiduciary funds investments:

	Fair Value June 30, 2025	Fair Value June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Company	\$ 67,317	\$ 59,591	\$ -	Monthly/Semi-Annual	90 days
Common Collective Trust	13,023	12,168	-	Daily	Daily
Partnerships	6,010	7,693	6,257	No redemptions	N/A
	<u>\$ 86,350</u>	<u>\$ 79,452</u>			

Note 6 – Capital Assets

Capital assets activity for the year ended June 30, 2025, was as follows (in thousands):

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 116,444	\$ 596	\$ -	\$ 117,040
Construction in progress	173,051	55,657	-	228,708
	<u>289,495</u>	<u>56,253</u>	<u>-</u>	<u>345,748</u>
Capital assets being depreciated				
Land improvement	19,600	942	-	20,542
Buildings	1,383,259	15,114	-	1,398,373
Capital equipment	515,644	32,429	-	548,073
	<u>1,918,503</u>	<u>48,485</u>	<u>-</u>	<u>1,966,988</u>
Less accumulated depreciation for				
Land improvement	13,152	255	-	13,407
Buildings	436,123	42,614	-	478,737
Capital equipment	431,427	42,139	-	473,566
	<u>880,702</u>	<u>85,008</u>	<u>-</u>	<u>965,710</u>
Total capital assets being depreciated, net	<u>1,037,801</u>	<u>(36,523)</u>	<u>-</u>	<u>1,001,278</u>
Total capital assets, net	<u>\$ 1,327,296</u>	<u>\$ 19,730</u>	<u>\$ -</u>	<u>\$ 1,347,026</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

Capital assets activity for the year ended June 30, 2024, was as follows (in thousands):

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 115,327	\$ 1,117	\$ -	\$ 116,444
Construction in progress	170,675	2,376	-	173,051
	<u>286,002</u>	<u>3,493</u>	<u>-</u>	<u>289,495</u>
Capital assets being depreciated				
Land improvement	19,600	-	-	19,600
Buildings	1,261,676	121,583	-	1,383,259
Capital equipment	480,830	34,820	6	515,644
	<u>1,762,106</u>	<u>156,403</u>	<u>6</u>	<u>1,918,503</u>
Less accumulated depreciation for				
Land improvement	12,209	943	-	13,152
Buildings	389,423	46,700	-	436,123
Capital equipment	396,036	35,605	214	431,427
	<u>797,668</u>	<u>83,248</u>	<u>214</u>	<u>880,702</u>
Total capital assets being depreciated, net	<u>964,438</u>	<u>73,155</u>	<u>(208)</u>	<u>1,037,801</u>
Total capital assets, net	<u>\$ 1,250,440</u>	<u>\$ 76,648</u>	<u>\$ (208)</u>	<u>\$ 1,327,296</u>

Construction contracts of approximately \$345.0 million were approved for various projects, including the Women's Hospital Expansion, Demolition of the "Old Main" hospital and site work as well as replacement of the Diagnostic Imaging equipment at the Mountain Views campus. At June 30, 2025, the remaining commitment on these contracts is approximately \$40.5 million. There was no capitalized interest for the years ended June 30, 2025 and 2024, respectively.

Note 7 – Employee Benefit Plans

The Hospital sponsors a cash-balance pension plan (the "Cash Balance Plan"), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer benefits are calculated as 5% of a participant's annual plan compensation, and the annual interest is an indexed rate based on the return on 10-year U.S. Treasury securities. Participants are fully vested in their account balances after five pension years.

Participant accounts – The Cash Balance Plan maintains "participant account balances" equal to a participant's account balance established as of January 1, 1995, upon the conversion to the cash-balance formula, plus subsequent contribution credits and interest credits related to the participant's accumulated cash balance, participant match contribution credits, and participant match interest credits.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Contribution credits of 5% of eligible compensation for the year are credited to a participant's account as of the last day of the Cash Balance Plan year. Each year, interest credits related to a participant's cash balance are credited to the participant's account in an amount that is equal to a percentage of a participant's account balance at the beginning of the Cash Balance Plan year. The percentage rate used is the annual rate of return on 10-year treasury securities in effect for the third month (October) immediately preceding the first day of the applicable Cash Balance Plan year. The rates credited were 4.58% and 1.58% for the years beginning January 1, 2024 and 2023, respectively.

Employee contributions – Contributions by participants are not required or permitted by the Cash Balance Plan.

Employer contributions – The Hospital's funding policy is to contribute amounts to the Cash Balance Plan necessary to meet minimum funding requirements. The Hospital's contributions for 2025 and 2024 exceeded the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

Although it has not expressed any intention to do so, the Hospital has the right under the Cash Balance Plan to discontinue its contributions at any time and to terminate the Cash Balance Plan subject to the provisions set forth in ERISA.

Eligibility – Hospital employees are eligible to participate on the first day of the month succeeding the later of the date on which they complete one year of service, which is defined as working 12 months for a minimum of 1,000 hours, and they reach age 21.

Funding policy – The amount of employer contributions is determined based on actuarial valuations and recommendations as to the amounts required to fund benefits. Contributions are made by the Hospital based on the results of the actuarial recommendations. The Hospital intends to make contributions in amounts not less than the minimum required by the funding standards of ERISA and is required to keep the Cash Balance Plan qualified under Section 401(a) of the Internal Revenue Code ("IRC"). Participants are not permitted to contribute to the Cash Balance Plan.

Vesting – Participants are fully vested with their third year of service.

Pension benefits – Monthly benefit payments, based upon a formula described in the Cash Balance Plan document, commence within 30 days of the normal retirement date, early retirement date, or deferred retirement date. A participant may elect to defer retirement past the normal retirement age, which will result in benefits greater than 100%, based on a published scale. The eligibility requirement for early retirement is age 55. Early retirement benefits are calculated by multiplying the accrued benefit as of the early retirement date by a percentage defined in the Cash Balance Plan document.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are 2.00% compounded annually.

On termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's account balance or annuity payments based upon formulas described in the Cash Balance Plan document.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Death benefits – The Cash Balance Plan provides death benefits in the form of a qualified pre-retirement survivor annuity for life equal to the annuity that would have been payable to the spouse if the participant had retired on the day preceding the participant's death. At the option of the beneficiary, the benefit may be paid in a lump-sum.

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental units, using the accrual method of accounting. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated Cash Balance Plan benefits, at the date of the financial statements. Actual results could differ from those estimates.

Investment valuation – The Cash Balance Plan's investments are stated at fair value, as certified by the Cash Balance Plan's custodian, based generally on quoted market prices.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

Income recognition – Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation or depreciation in fair value of investments consists of both the realized gains or losses and unrealized appreciation (depreciation) of those investments.

Benefits paid to participants – Benefit payments to participants are recorded upon distribution.

Administrative expenses – Administrative fees, such as custodian, actuarial, and certain other administrative expenses, may be paid by the Cash Balance Plan or the Hospital.

The Hospital's net pension asset was measured as of June 30, 2025 and 2024, as determined by an actuarial valuation as of December 31, 2024 and 2023, rolled forward to June 30, 2025 and 2024, respectively.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit retirement plan in effect prior to January 1, 1995. Participant data for the Plan, as of the measurement date January 1 for the indicated years is as follows:

	2025	2024
Active	3,797	3,360
Retirees and beneficiaries	700	677
Vested terminated	1,113	1,111
Total participants	<u>5,610</u>	<u>5,148</u>

Components of pension cost and deferred outflows and inflows of resources as calculated under the requirements of GASB No. 68 are as follows (in thousands):

	2025	2024
Service cost	\$ 11,933	\$ 10,406
Interest	16,977	15,747
Differences between expected and actual experience	6,106	2,041
Changes of assumptions	2,379	2,585
Benefit payments	<u>(15,125)</u>	<u>(12,953)</u>
Net change in total pension liability	22,270	17,826
Total pension liability beginning of fiscal year	<u>248,894</u>	<u>231,068</u>
Total pension liability end of fiscal year	<u>\$ 271,164</u>	<u>\$ 248,894</u>
Deferred outflows of resources as of June 30:	2025	2024
Difference between expected and actual experience	\$ 7,830	\$ 3,218
Changes in assumptions	3,856	2,202
Difference between projected and actual investment earnings	<u>4,034</u>	<u>15,920</u>
Total	<u>\$ 15,720</u>	<u>\$ 21,340</u>
Deferred inflows of resources as of June 30:		
Difference between expected and actual experience	\$ (3,311)	\$ (4,621)
Changes in assumptions	<u>(5,313)</u>	<u>(6,918)</u>
Total	<u>\$ (8,624)</u>	<u>\$ (11,539)</u>
Contributions between the measurement date and fiscal year end recognized as a deferred outflows of resources	<u>\$ 11,500</u>	<u>\$ 7,000</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

Amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense are as follows (in thousands):

2026	\$ 4,760
2027	7,631
2028	(7,105)
2029	(1,097)
2030	1,743
Thereafter	<u>1,159</u>
	<u><u>\$ 7,091</u></u>

The following table summarizes changes in pension liability for fiscal years ended June 30, 2025 and 2024, with a measurement date of December 31, 2024 and 2023, respectively, (in thousands):

	<u>2025</u>	<u>2024</u>
Contributions	\$ 15,500	\$ 14,000
Net investment income	35,313	43,599
Benefit payments, including refunds of member contributions	<u>(15,125)</u>	<u>(12,953)</u>
Net change in Plan fiduciary net position	35,688	44,646
Plan fiduciary net position beginning of fiscal year	<u>350,819</u>	<u>306,173</u>
Plan fiduciary net position end of fiscal year	<u>386,507</u>	<u>350,819</u>
Plan's net pension asset end of the fiscal year	<u><u>\$ (115,343)</u></u>	<u><u>\$ (101,925)</u></u>
Covered payroll	\$ 541,258	\$ 457,580
Net pension asset as a percentage of covered payroll	-21.31%	-22.27%
Contributions	\$ 11,500	\$ 7,000

El Camino Healthcare District

Notes to Consolidated Financial Statements

The following table summarizes the actuarial assumptions used to determine net pension asset and plan fiduciary net position as of June 30, 2025 and 2024:

Valuation Date	January 1, 2025 and 2024 for reporting date June 30, 2025 and 2024, respectively. Actuarially determined contribution rates are calculated as of January 1.
Actuarial Cost Method	Entry Age Normal Method as a level percent of pay in accordance with GASB.
Asset Valuation Method	Market Value
Actuarial Assumptions	
Projected Salary Increases	4% for reporting date June 30, 2025 and 2024, respectively
Mortality	Based on the Pri-2012 Total Employee and Retiree Mortality Tables (base year 2012) and projected with Mortality Improvement Scale MP-2021, except for current and future beneficiaries of deceased participants. For current and future beneficiaries of deceased participants, mortality is based on the Pri-2012 Contingent Survivor Mortality Tables and projected with Mortality Improvement Scale MP-2021.
Discount Rate	6.7% for both reporting dates June 30, 2025 and 2024

Sensitivity of net pension asset (in thousands):

	1% Decrease 5.7%	Current Discount Rate 6.7%	1% Increase 7.7%
Net pension asset as of June 30, 2025	\$ 89,485	\$ 115,330	\$ 137,650
	1% Decrease 5.7%	Current Discount Rate 6.7%	1% Increase 7.7%
Net pension asset as of June 30, 2024	\$ 78,609	\$ 101,925	\$ 122,094

The following table summarizes target asset class for the plan fiduciary net position as of June 30, 2025 and 2024:

Asset Class	Neutral	Asset Rebalancing Range	Expected Long- Term Real Rate of Return
Domestic Equities	32%	27% - 37%	6.40%
International Equities	18%	15% - 21%	8.20%
Alternatives	20%	17% - 23%	8.00%
Broad Fixed Income	25%	20% - 30%	4.40%
Cash	5%	0% - 8%	3.00%
Total	100%		6.70%

El Camino Healthcare District

Notes to Consolidated Financial Statements

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the 403(b) plan) pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan's assets are held by trustees designated by the Hospital's management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31). Employer matching contributions under the 403(b) plan are made to the cash-balance pension plan and earn interest as defined by that plan. Employer matching contributions to the 403(b) plan of \$19,079,000 and \$17,247,000 in 2025 and 2024, respectively, are included in benefits expense. Participants are immediately vested in the employer contributions included in the cash-balance pension plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the consolidated financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 8 – Post-Retirement Medical Benefits

The Hospital provides healthcare benefits and life insurance for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital. All employees who attain age 55 with a minimum of 20 years of enrollment in the Hospital's healthcare program and are enrolled in one of the plans upon retirement, and who were hired prior to July 1, 1994, are eligible. Under the plan, employees are credited with employment history accumulated under a prior Hospital plan.

Benefits are funded by the Hospital on a pay-as-you go basis. If a participant terminates from the Hospital after 20 years of enrollment but before reaching age 62, he or she can choose to contribute to the plan between ages 55 and 61 to retain the plan's benefits. At age 62, eligible retirees are given an annual credit based on years of service to pay for health benefits.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Employees covered – At June 30, the following employees were covered by the Hospital:

	2025	2024
Active	375	375
Inactive plan members or beneficiaries currently receiving benefits	155	155
Total participants	<u>530</u>	<u>530</u>

Components of post-retirement medical benefits expense and deferred inflows and outflows of resources as calculated under the requirements of GASB No. 75 are as follows (in thousands) as of June 30:

	2025	2024
Service cost	\$ 89	\$ 100
Interest	921	975
Changes of benefit terms	-	-
Differences between expected and actual experience	(458)	(86)
Changes of assumptions	(143)	(1,354)
Current period recognition of prior years' deferred inflows and outflows of resources	<u>(115)</u>	<u>(1,852)</u>
Total post-retirement medical benefits expense	<u>\$ 294</u>	<u>\$ (2,217)</u>

	2025	2024
Deferred outflows of resources as of June 30:		
Changes in benefit terms	\$ -	\$ -
Difference between expected and actual experience	-	-
Changes in assumptions	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

Deferred inflows of resources as of June 30:		
Changes in benefit terms	\$ -	\$ -
Difference between expected and actual experience	(11)	(7)
Changes in assumptions	<u>(37)</u>	<u>(108)</u>
Total	<u>\$ (48)</u>	<u>\$ (115)</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

Amounts reported as deferred outflows and inflows of resources to post-retirement medical benefits will be recognized in post-retirement medical benefits expense are as follows (in thousands):

2026	\$ (48)
2027	-
2028	-
2029	-
2030	-
Thereafter	-
	<u>\$ (48)</u>

The following table summarizes changes in post-retirement medical benefits liability for fiscal year ended June 30, 2025 and 2024, with a measurement date of July 1, 2024 and 2023, respectively (in thousands):

	<u>2025</u>	<u>2024</u>
Service cost	\$ 89	\$ 100
Interest	921	975
Differences between expected and actual experience	(494)	(93)
Changes in assumptions or other input	(154)	(1,463)
Benefit payments	<u>(1,071)</u>	<u>(1,024)</u>
Net changes	(709)	(1,505)
Net post-retirement medical benefits liability at beginning of year	<u>22,737</u>	<u>24,242</u>
Net post-retirement medical benefits liability at end of year	<u>\$ 22,028</u>	<u>\$ 22,737</u>

The following table summarizes the actuarial assumptions used to determine net post-retirement medical benefits as of June 30, 2025 and 2024:

Valuation Date	June 30, 2025; measurement date of June 30, 2024
Actuarial Cost Method	Entry Age Normal, level percent of pay
Asset Valuation Method	Not applicable
Actuarial Assumptions	
Projected Salary Increases	4.00%
Mortality	Mortality Tables projected generationally using projection scale MP-2021.
Discount Rate	4.21% for 2025; 4.13% for 2024
Healthcare cost trend rates:	7% for 2023, graded to 4.5% for years 2032 for ages pre-65; and 5.4% for 2023, graded to 4.50% for year 2032 for ages post-65.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Sensitivity of post-retirement medical benefits liability (in thousands) due to change in discount rates as of June 30:

	2025		
	1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
Net post-retirement medical benefits liability	\$ 24,094	\$ 22,028	\$ 20,242

	2024		
	1% Decrease 3.13%	Current Discount Rate 4.13%	1% Increase 5.13%
Net post-retirement medical benefits liability	\$ 24,946	\$ 22,737	\$ 20,835

Sensitivity of post-retirement medical benefits liability (in thousands) due to change in healthcare cost trend:

	1% Decrease	Current Trend rate	1% Increase
June 30, 2025	\$ 21,933	\$ 22,028	\$ 22,126
June 30, 2024	\$ 22,646	\$ 22,737	\$ 22,832

Note 9 – Insurance Plans

The Hospital purchases professional, general, automobile, and directors and officers liability insurance from BETA Healthcare Group (“BHG”), and also purchases all-risk property insurance (including limited flood), fiduciary, crime, cyber, and excess workers’ compensation coverage needs from Alliant Insurance Services (“Alliant”). The Hospital’s coverage is under a claims-made policy with limits of \$30 million per occurrence, \$40 million in the annual aggregate, and with a self-insured retention level of \$500,000 per claim.

There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted from services provided to patients. The Hospital has actuarial estimates performed annually on its self-insurance plans of professional liability and workers’ compensation benefits. Estimated liabilities (which have not been discounted) have been actuarially determined at an expected 75% confidence level and include an estimate of incurred, but not reported, claims. The balances are included in salaries and wages payable, workers’ compensation, and other long-term liabilities in the accompanying consolidated statements of net position.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Note 10 – Bonds Payable

Bonds payable consists of the following obligations (in thousands):

	June 30,	
	2025	2024
El Camino Hospital District		
2006 General Obligation Bonds		
Principal	\$ 25,642	\$ 29,042
2017 General Obligation Bonds		
Principal	73,145	73,145
Unamortized premium	140	154
El Camino Hospital Revenue Bonds		
Series 2009		
Principal	-	50,000
Series 2015A		
Principal	-	122,155
Unamortized premium	-	4,850
Series 2017A		
Principal	260,700	266,655
Unamortized premium	5,546	6,679
Series 2025A		
Principal	155,055	-
Unamortized premium	10,151	-
Series 2025B/C		
Principal	109,240	-
Total long-term debt	639,619	552,680
Less current maturities	19,026	14,318
Maturities due after one year	<u>\$ 620,593</u>	<u>\$ 538,362</u>

	2025			
	Balance at June 30, 2024	Increases	Decreases	Balance at June 30, 2025
General obligation bonds	\$ 102,341	\$ -	\$ 3,425	\$ 98,916
Revenue bonds	450,339	274,447	184,083	540,703
	<u>\$ 552,680</u>	<u>\$ 274,447</u>	<u>\$ 187,508</u>	<u>\$ 639,619</u>

	2024			
	Balance at June 30, 2023	Increases	Decreases	Balance at June 30, 2024
General obligation bonds	\$ 105,648	\$ -	\$ 3,307	\$ 102,341
Revenue bonds	462,965	-	12,626	450,339
	<u>\$ 568,613</u>	<u>\$ -</u>	<u>\$ 15,933</u>	<u>\$ 552,680</u>

El Camino Healthcare District

Notes to Consolidated Financial Statements

2006 General Obligation Bonds – Upon voter approval, in November 2003, the District issued in 2006, \$148,000,000 principal amount of 2006 General Obligation Bonds, which consists of \$115,665,000 of Current Interest Bonds. Interest on the Current Interest Bonds is payable semiannually at rates ranging from 4% to 5% and principal maturities ranging from \$2,065,000 in 2016 to \$18,050,000 in 2036 are due annually on August 1. Interest at rates ranging from 4.38% to 4.48% and principal of the Capital Appreciation Bonds are payable only at maturity. In March 2017, the District advanced refunded a portion of the 2006 General Obligation Bonds, through the issuance of the 2017 General Obligation Refunding Bonds.

The Current Interest Bonds maturing on or after August 1, 2017, may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2017, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

2017 General Obligation Bonds – Upon voter approval, in March 2017, the District advanced refunded a portion of the 2006 General Obligation Bonds, through the issuance of the \$99,035,000 2017 General Obligation Refunding Bonds, which consists of \$115,665,000 of Current Interest Bonds, and \$32,335,000 of Capital Appreciation Bonds. Interest on the 2017 General Obligation Refunding Bonds is payable semiannually at rates ranging from 2% to 5% and principal maturities ranging from \$3,570,000 in 2017 to \$17,480,000 in 2036 are due annually on August 1. This refinancing resulted in a reduction of future interest payments with a present value of approximately \$7,000,000.

Both the 2006 and 2017 G.O. Bonds are general obligations of the District payable from ad valorem taxes. Payment of principal, interest and maturity value of the Bonds, when due, is insured by a municipal bond insurance policy.

Revenue Bonds, Series 2009 – In April 2009, the Hospital issued \$50,000,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2009A, to fund completion of the Hospital replacement construction project. Interest on the bonds is payable on the business day immediately following the applicable remarketing period. Principal maturities on the bonds range from \$100,000 in 2025 to \$10,920,000 in 2044, and were due annually on February 1.

The 2009 Series Revenue bond agreement contains various restrictive covenants which include, among other things, minimum debt service coverage, maintenance of minimum liquidity, and requirement to maintain certain financial ratios.

The bonds are secured by a pledge of gross revenues to an Indenture of Trust ("Indenture") dated March 16, 2007. The Indenture contains certain covenants that, among other things, require the District to deposit all gross revenues of the Hospital as soon as practicable upon receipt. The Indenture also requires the Hospital to maintain a long-term debt service coverage ratio of 1.15 to 1.00. Failure to comply with the restrictive covenants of the Indenture could result in all of the unpaid principal and accrued interest of the bonds becoming due immediately, at the option of the trustee.

The outstanding balance of Series 2009 bonds was refunded as part of issuance of Series 2025 Revenue Bonds.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Revenue Bonds, Series 2015A – In May 2015, the Hospital advance refunded its Series 2007 Santa Clara County Financing Authority Insured Revenue Bonds (“Series 2007”) through the issuance of the \$160,455,000 of Santa Clara County Financing Authority Insured Revenue Bonds (“Series 2015A”). The issuance of the Series 2015A is to (i) finance and refinance certain capital expenditures owned by the Hospital (the Project – \$40,300,000), (ii) advance refund (\$120,100,000) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds. The outstanding balance of Series 2015A bonds was refunded as part of issuance of Series 2025 Revenue Bonds.

Revenue Bonds, Series 2017A – In February 2017, the Hospital issued \$292,435,000 of California Health Facilities Financing Authority Revenue Bonds (“Series 2017”) to finance certain capital expenditures at facilities owned or operated by the Hospital, to finance a portion of the interest payable of the Series 2017 through January 31, 2019, and to pay costs incurred in connection with the issuance of the Series 2017. The Series 2017 consists of \$130,660,000 Serial Bonds and \$161,775,000 Term Bonds. Principal maturities for the Serial Bonds range from \$4,665,000 in 2020 to \$10,565,000 in 2037, and are due annually on February 1. Principal maturities for the Term Bonds range from \$60,710,000 in 2042 to \$101,065,000 in 2047, and are due annually on February 1.

Revenue Bonds, Series 2025 - On June 10, 2025, the Hospital issued Series 2025A (Fixed Rate), 2025B/C (Variable Rate) Revenue Bonds totaling \$264,295,000 to currently refund the outstanding Series 2009A and 2015A Bonds and finance the Women’s Hospital Expansion project. This refunding resulted in a deferred gain on refunding of approximately \$4,051,000, which is reported as a deferred inflow of resources and will be amortized over the life of the remaining Series 2025 bonds. The refunded bonds were paid in full, and the liability has been removed from the consolidated financial statements.

Letter of credit – On June 1, 2025, in connection with the issuance of the 2009 Series Revenue bonds, the Hospital obtained an irrevocable Letter of Credit issued by a bank for \$109,240,000 (combined), with initial maturity date(s) of June 10, 2030. The letter of credit requires the Hospital to maintain a long-term debt service coverage ratio of 1.10 to 1.00.

Management believes all financial debt covenants were met for the years ended June 30, 2025 and 2024.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Debt service requirements for bonds payable are as follows (in thousands):

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2026	\$ 3,398	\$ 7,144	\$ 15,628	\$ 18,770
2027	3,552	7,709	12,730	21,654
2028	3,598	8,172	13,355	21,030
2029	3,674	8,712	14,010	20,376
2030	3,742	9,279	14,695	19,689
2031-2035	47,382	27,614	84,695	87,219
2036-2040	33,441	2,036	69,735	67,366
2041-2045	-	-	117,550	45,860
2046-2050	-	-	145,795	16,862
2051-2055	-	-	36,802	3,613
	<u>\$ 98,787</u>	<u>\$ 70,666</u>	<u>\$ 524,995</u>	<u>\$ 322,439</u>

Interest rate swaps – The Hospital holds a fixed payor interest rate swap originally executed in connection with variable rate debt issued in 2009 (Series 2009), which was refunded during fiscal year 2025 with the issuance of the Series 2025 Revenue Bonds. The swap is now associated with the Series 2025C Bonds and is used to synthetically fix the interest rate on the related variable rate debt. The swap has an original notional amount of \$50 million, amortized to \$30.38 million at June 30, 2025. Under the terms of the agreement, the Hospital pays a fixed rate of 3.204% and receives a variable rate equal to 56% of USD-LIBOR-BBA plus 0.23%. Following the discontinuation of LIBOR, the variable leg transitioned to SOFR in accordance with industry protocols. The swap became effective March 23, 2007, and terminates on February 1, 2041. This swap is not designated as a hedging derivative instrument under GASB Statement No. 53. The fair value of the swap was a liability of \$1.8 million at June 30, 2025.

In 2020, the Hospital executed a forward-starting fixed payor swap, which became effective in February 2025 in connection with the issuance of the Series 2025B Revenue Bonds. The swap has a notional amount of \$59,240,000, requires the Hospital to pay a fixed rate of 1.297%, and receive a variable rate based on the SIFMA index. The swap matures on February 1, 2045. This instrument is not designated as a hedging derivative under GASB 53 and is classified as an investment derivative instrument. As such, changes in fair value are recognized in nonoperating revenues (expenses). The fair value of the swap was an asset of \$13.1 million at June 30, 2025, and is reported as interest rate swap asset in the consolidated statement of net position.

The Hospital is exposed to credit risk in the event of nonperformance by the counterparties to the swap agreements. The Hospital actively monitors counterparty creditworthiness and maintains collateral posting requirements, where applicable, under the terms of its International Swaps and Derivatives Association (ISDA) agreements. The Hospital is also subject to termination risk, which could result in a requirement to make or receive a payment if a swap is terminated prior to its stated maturity.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Note 11 – Restricted Net Position

Restricted net position consists of donor-restricted contributions and grants and cash restricted for regulatory requirements, which are to be used as follows (in thousands):

	2025	2024
Charity and other	\$ 36,572	\$ 33,851
Endowments	27,571	10,532
Restricted by donor for specific uses	64,143	44,383
Restricted by Department of Managed Health Care	150	150
Total restricted net position	<u>\$ 64,293</u>	<u>\$ 44,533</u>

Permanently restricted contributions (“endowments”) remain intact, with the earnings on such funds providing an ongoing source of revenue to be used primarily for education.

Note 12 – Charitable Remainder Unitrusts

The Foundation is the beneficiary of several irrevocable charitable remainder unitrusts in which the gift assets are held by trustees and administered for the benefit of the Foundation and other beneficiaries. The assets are held under trust agreements with an outside trustee. The donors maintain the right to income earned on the assets during their lifetime and, in some cases, during the lifetime of their survivors.

Pursuant to GASB No. 81, the Foundation recognizes an asset and a deferred inflow of resources when it becomes aware of the agreements and has sufficient information to measure the beneficial interest, in accordance with the asset recognition criteria in GASB No. 81. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. The applicable federal discount rate for June 2025 and June 2024 of 5.0% and 5.6% per annum, respectively, and The Standard Ordinary Mortality Rate Table were used to arrive at the present value. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in the related deferred inflow of resources. As the remainder interest beneficiary, the Foundation recognizes revenue for the beneficial interest at the termination of the agreement, as stipulated in the agreements.

Note 13 – Leases

The District is a lessee for noncancellable lease of office space and equipment with lease terms through 2039. There are no residual value guarantees included in the measurement of District's lease liabilities nor recognized as an expense for the years ended June 30, 2025 and 2024. The District does not have any commitments that were incurred at the commencement of the leases. The District is subject to variable equipment usage payments that are expensed when incurred. There were no amounts recognized as variable lease payments as lease expense on the statement of changes of net position for the years ended June 30, 2025 and 2024. No termination penalties were incurred during the fiscal year.

El Camino Healthcare District

Notes to Consolidated Financial Statements

The District has the following right-to-use assets as of June 30:

2025	Beginning Balance	Increases	Decreases	Ending Balance
Right-of-use assets	\$ 30,334	\$ 453	\$ 2,280	\$ 28,507
Less accumulated amortization	15,088	2,542	-	17,630
Right-of-use assets, net	<u>\$ 15,246</u>	<u>\$ (2,089)</u>	<u>\$ 2,280</u>	<u>\$ 10,877</u>

2024	Beginning Balance	Increases	Decreases	Ending Balance
Right-of-use assets	\$ 27,202	\$ 3,132	\$ -	\$ 30,334
Less accumulated amortization	12,125	2,963	-	15,088
Right-of-use assets, net	<u>\$ 15,077</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 15,246</u>

For the years ended June 30, 2025 and 2024, the District recognized \$2,542,000 and \$2,963,000, respectively, in amortization expense included in depreciation and amortization expense on the consolidated statements of activities and changes in net position.

The future principal and interest lease payments as of June 30, 2025, were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 1,418	\$ 607	\$ 2,025
2027	946	539	1,485
2028	1,034	470	1,504
2029	1,072	394	1,466
2030	1,072	318	1,390
Thereafter	6,230	1,241	7,471
	<u>\$ 11,772</u>	<u>\$ 3,569</u>	<u>\$ 15,341</u>

The District evaluated the right-to-use assets for impairment and determined there was no impairment for the years ended June 30, 2025 and 2024.

The District is also a lessor for noncancellable leases of office space with lease terms through 2034. For the years ended June 30, 2025 and 2024, the District recognized \$11,483,000 and \$10,672,000 in lease revenue released from the deferred inflows of resources related to the office lease included in other revenue on the statements of changes in net position. No inflows of resources were recognized in the year related to termination penalties or residual value guarantees during fiscal years ended 2025 and 2024.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Note 14 – Subscription Based Information Technology Arrangements

The District has the following subscription asset activities as of June 30:

2025	Beginning Balance	Increases	Decreases	Ending Balance
Subscription assets	\$ 22,815	\$ -	\$ -	\$ 22,815
Less accumulated amortization	10,379	4,882	-	15,261
Subscription assets, net	<u>\$ 12,436</u>	<u>\$ (4,882)</u>	<u>\$ -</u>	<u>\$ 7,554</u>

2024	Beginning Balance	Increases	Decreases	Ending Balance
Subscription assets	\$ 22,693	\$ 3,435	\$ 3,313	\$ 22,815
Less accumulated amortization	9,188	4,356	3,165	10,379
Subscription assets, net	<u>\$ 13,505</u>	<u>\$ (921)</u>	<u>\$ 148</u>	<u>\$ 12,436</u>

For the years ended June 30, 2025 and 2024, the District recognized \$4,882,000 and \$4,356,000, respectively, in amortization expense included in depreciation and amortization expense on the consolidated statements of activities and changes in net position.

The future subscription payments as of June 30, 2025 were as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 6,065	\$ 377	\$ 6,442
2027	1,279	106	1,385
2028	1,330	54	1,384
2029	-	-	-
	<u>\$ 8,674</u>	<u>\$ 537</u>	<u>\$ 9,211</u>

The District evaluated the subscription assets for impairment and determined there was no impairment for the years ended June 30, 2025 and 2024.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Note 15 – Related-Party Transactions

The Hospital pays vendor-related expenses on behalf of the Foundation and is reimbursed for these costs incurred. The Hospital also pays employee-related expenses, which are reimbursed by the Foundation. The Foundation's employees also participate in the cash-balance pension plan, sponsored by the Hospital. Full footnote disclosures relating to the cash-balance pension plan is included in the consolidated financial statements. The Hospital performs certain administrative functions on behalf of the Foundation for which no amounts are charged to the Foundation. As of June 30, 2025 and 2024, the Foundation has a payable to the Hospital in the amount of \$2,946,000 and \$578,000, respectively. During the fiscal years 2025 and 2024, the Foundation paid the Hospital \$4,765,000 and \$2,596,000 for such expenses, respectively, which included amounts for operations, but also disbursements from Donor Restricted Funds in support of Hospital operations and capital acquisitions.

In June 2012, the Hospital Board approved the funding of the Foundation's salaries, wages, benefits, and rent for a maximum of \$1,783,000 annually on an ongoing basis. All related-party transactions are eliminated upon consolidation.

As of June 30, 2025 and 2024, CONCERN has a payable to the Hospital in the amount of \$2,999,000 and \$3,087,000, respectively. During the fiscal years ended June 30, 2025 and 2024, CONCERN paid the Hospital \$9,995,000 and \$9,198,000 for its expenses, respectively. All related party transactions are eliminated upon consolidation.

As of June 30, 2025 and 2024, ECHMN has a payable to the Hospital of \$10,011,000 and \$9,665,000, respectively. During fiscal years ended June 30, 2025 and 2024, ECHMN paid the Hospital \$43,812,000 and \$31,857,000 for its expenses, respectively. All related-party transactions are eliminated upon consolidation.

Note 16 – Commitments and Contingencies

Litigation – The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Regulatory environment – The healthcare 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 healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries from healthcare regulatory authorities regarding its compliance with laws and regulations. Although the District management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and ongoing surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and noncompliance with survey corrective action requests could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. 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.

Hospital Seismic Safety Act – In the 2010 fiscal year, the Mountain View campus completed its three-year construction of the Hospital Replacement Project with the opening of its new five story, 450,000-square-foot, state-of-the-art hospital facility on November 15, 2009. This completion made the Mountain View hospital campus in compliance with the State of California's Senate Bill ("SB") 1953 in meeting all requirements of the Hospital Seismic Safety Act of 1994.

At the Los Gatos campus, where most of the buildings were constructed in the 1960s, the campus has been going through a seismic compliance review. During 2015, all required seismic upgrades were made to the Los Gatos site for seismic compliance up to 2030.

Collective bargaining agreement – Approximately 79.2% of the Hospital's employees are covered by collective bargaining agreements. These employees are members of three unions.

Note 17 – Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of net position date but before the consolidated financial statements are available to be issued. The District recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the consolidated statement of net position date, including the estimates inherent in the process of preparing the consolidated financial statements. The District's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated statement of net position date but arose after the consolidated statement of net position date and before consolidated financial statements are issued.

El Camino Healthcare District

Notes to Consolidated Financial Statements

Note 18 – Restatement

The adoption of GASB 101 resulted in adjustments to the prior period financial statements as follows at June 30, 2024:

	<u>As previously</u> <u>presented</u>	<u>Adjustment</u>	<u>As restated</u>
Statement of net position			
Liabilities, deferred inflows, and net position:			
Salaries, wages, and related liabilities	\$ 74,348	\$ 25,594	\$ 99,942
Net position, end of year	\$ 3,007,063	\$ (25,594)	\$ 2,981,469
Statements of revenues, expenses and changes in net position:			
Salaries, wages, and benefits	\$ 780,921	\$ 2,996	\$ 783,917
Income from operations	\$ 169,304	\$ (2,996)	\$ 166,308
Increase in net position	\$ 335,169	\$ (2,996)	\$ 332,173

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Supplementary Information

El Camino Healthcare District
Consolidating Statement of Net Position
June 30, 2025
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	ECHMN	Eliminations	El Camino Healthcare District and Affiliates
ASSETS AND DEFERRED OUTFLOWS							
Current assets							
Cash and cash equivalents	\$ 27,374	\$ 368,914	\$ 18,842	\$ 4,574	\$ 14,787	\$ -	\$ 434,491
Short-term investments	5,638	112,757	4,341	13,898	-	-	136,634
Current portion of board-designated funds	27,323	-	-	-	-	-	27,323
Patient accounts receivable, net of allowance for doubtful accounts of \$11,407	-	225,541	-	-	14,805	-	240,346
Current portion of lease receivables	-	16,130	-	-	-	(7,901)	8,229
Prepaid expenses and other current assets	68	85,550	751	1,867	7,153	(17,832)	77,557
Total current assets	60,403	808,892	23,934	20,339	36,745	(25,733)	924,580
Non-current cash and investments							
Board-designated funds	19,196	1,657,305	67,539	-	-	-	1,744,040
Restricted funds	-	-	-	150	-	-	150
Funds held by trustee	35,333	-	-	-	-	-	35,333
	54,529	1,657,305	67,539	150	-	-	1,779,523
Capital assets							
Nondepreciable	10,638	335,110	-	-	-	-	345,748
Depreciable, net	-	992,512	986	735	7,045	-	1,001,278
Total capital assets	10,638	1,327,622	986	735	7,045	-	1,347,026
Right-of-use assets, net of amortization	-	7,616	-	-	22,160	(18,899)	10,877
Subscription assets, net of amortization	-	7,554	-	-	-	-	7,554
Lease receivables, net of current portion	-	49,638	-	-	-	(13,199)	36,439
Pledges receivable, net of current portion	-	-	2,068	-	-	-	2,068
Prepaid pension asset	-	115,330	-	-	-	-	115,330
Investments in healthcare affiliates	-	39,645	-	-	-	-	39,645
Interest rate swaps	-	11,318	-	-	-	-	11,318
Beneficial interest in charitable remainder unitrusts	-	-	274	-	-	-	274
Total assets	125,570	4,024,920	94,801	21,224	65,950	(57,831)	4,274,634
Deferred outflows of resources							
Deferred outflows of resources	-	15,937	-	-	-	-	15,937
Deferred outflows of resources - loss on bond defeasance	-	9,359	-	-	-	-	9,359
Deferred outflows of resources - actuarial	-	15,720	-	-	-	-	15,720
Total deferred outflows of resources	-	41,016	-	-	-	-	41,016
Total assets and deferred outflows of resources	\$ 125,570	\$ 4,065,936	\$ 94,801	\$ 21,224	\$ 65,950	\$ (57,831)	\$ 4,315,650

El Camino Healthcare District
Consolidating Statement of Net Position (continued)
June 30, 2025
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	ECHMN	Eliminations	El Camino Healthcare District and Affiliates
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION							
Current liabilities							
Accounts payable and accrued expenses	\$ 479	\$ 75,463	\$ 3,630	\$ 3,230	\$ 13,357	\$ (17,832)	\$ 78,327
Salaries, wages, and related liabilities	-	109,103	4	430	1,911	-	111,448
Other current liabilities	5,116	12,583	62	384	8,139	-	26,284
Estimated third-party payor settlements	-	8,509	-	-	-	-	8,509
Current portion of lease liabilities	-	546	-	-	8,773	(7,901)	1,418
Current portion of subscription liabilities	-	6,065	-	-	-	-	6,065
Current portion of bonds payable	3,411	15,615	-	-	-	-	19,026
Total current liabilities	9,006	227,884	3,696	4,044	32,180	(25,733)	251,077
Bonds payable, net of current portion	95,517	525,076	-	-	-	-	620,593
Lease liabilities, net of current portion	-	7,685	-	-	15,868	(13,199)	10,354
Subscription liabilities, net of current portion	-	2,609	-	-	-	-	2,609
Other long-term obligations	-	-	-	-	-	-	-
Workers' compensation, net of current portion	-	12,374	-	-	-	-	12,374
Post-retirement medical benefits	-	22,028	-	-	-	-	22,028
Total liabilities	104,523	797,656	3,696	4,044	48,048	(38,932)	919,035
Deferred inflows of resources							
Deferred inflows of resources	-	-	274	-	-	-	274
Deferred inflows of resources - leases	-	65,769	-	-	-	(18,899)	46,870
Deferred inflows of resources - gain on bond defeasance	-	4,051	-	-	-	-	4,051
Deferred inflows of resources - actuarial	-	8,672	-	-	-	-	8,672
Total deferred inflows of resources	-	78,492	274	-	-	(18,899)	59,867
Net position							
Invested in capital assets, net of related debt	(52,957)	785,196	986	735	4,564	-	738,524
Restricted - expendable	-	-	36,572	-	-	-	36,572
Restricted - nonexpendable	-	-	27,571	150	-	-	27,721
Unrestricted	74,004	2,404,592	25,702	16,295	13,338	-	2,533,931
Total net position	21,047	3,189,788	90,831	17,180	17,902	-	3,336,748
Total liabilities, deferred inflows of resources, and net position	\$ 125,570	\$ 4,065,936	\$ 94,801	\$ 21,224	\$ 65,950	\$ (57,831)	\$ 4,315,650

El Camino Healthcare District
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	ECHMN	Eliminations	El Camino Healthcare District and Affiliates
Operating revenues							
Net patient service revenue (net of provision for bad debts of \$9,993)	\$ -	\$ 1,551,978	\$ -	\$ -	\$ 85,519	\$ -	\$ 1,637,497
Other revenue	105	44,596	-	12,824	20,578	(22,377)	55,726
Total operating revenues	105	1,596,574	-	12,824	106,097	(22,377)	1,693,223
Operating expenses							
Salaries, wages and benefits	29	823,820	2,592	2,314	37,802	-	866,557
Professional fees and purchased services	986	183,728	1,133	6,926	89,410	(9,690)	272,493
Supplies	1	228,623	26	-	8,900	-	237,550
Depreciation and amortization	5	88,756	292	254	2,773	-	92,080
Rent and utilities	-	22,425	134	6	9,793	(6,278)	26,080
Other	28	26,010	113	741	1,446	(5,453)	22,885
Total operating expenses	1,049	1,373,362	4,290	10,241	150,124	(21,421)	1,517,645
(Loss) income from operations	(944)	223,212	(4,290)	2,583	(44,027)	(956)	175,578
Nonoperating revenues (expenses):							
Investment income, net	3,187	143,184	4,924	860	216	-	152,371
Property tax revenue							
Designated to support community benefit programs and operating expenses	11,450	-	-	-	-	-	11,450
Designated to support capital expenditures	15,646	-	-	-	-	-	15,646
Levied for debt service	3,746	-	-	-	-	-	3,746
Bond interest expense, net	(5,218)	(20,277)	-	-	-	-	(25,495)
Intergovernmental transfer expense	(5,193)	-	-	-	-	-	(5,193)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	-	-	19,750	-	-	(1,783)	17,967
Unrealized gain on interest rate swaps	-	13,151	-	-	-	-	13,151
Community benefit expense	(7,358)	(3,349)	-	(1,614)	(3)	956	(11,368)
Other, net	(26)	5,511	46	75	37	1,783	7,426
Total nonoperating revenues (expenses)	16,234	138,220	24,720	(679)	250	956	179,701
Excess (deficit) of revenues over expenses before capital transfers	15,290	361,432	20,430	1,904	(43,777)	-	355,279
Capital transfers	(6,394)	(35,323)	(400)	(631)	42,748	-	-
Increase (decrease) in net position	8,896	326,109	20,030	1,273	(1,029)	-	355,279
Total net position, beginning of year, as previously reported	12,151	2,889,273	70,801	15,907	18,931	-	3,007,063
Cumulative effect of restatement	-	(25,594)	-	-	-	-	(25,594)
Total net position, beginning of year, as restated	12,151	2,863,679	70,801	15,907	18,931	-	2,981,469
Total net position, end of year	\$ 21,047	\$ 3,189,788	\$ 90,831	\$ 17,180	\$ 17,902	\$ -	\$ 3,336,748

El Camino Healthcare District
Supplemental Pension and Post-Retirement Benefit Information
For the Years Ended June 30, 2025 and 2024

Supplemental pension information – The following tables summarize changes in net pension asset (in thousands):

	2025	2024
Service cost	\$ 11,933	\$ 10,406
Interest	16,977	15,747
Differences between expected and actual experience	6,106	2,041
Changes of assumptions	2,379	2,585
Benefit payments	<u>(15,125)</u>	<u>(12,953)</u>
Net change in total pension liability	22,270	17,826
Total pension liability beginning of fiscal year	<u>248,894</u>	<u>231,068</u>
Total pension liability end of fiscal year	<u><u>\$ 271,164</u></u>	<u><u>\$ 248,894</u></u>

	2025	2024
Contributions	\$ 15,500	\$ 14,000
Net investment income	35,313	43,599
Benefit payments, including refunds of member contributions	<u>(15,125)</u>	<u>(12,953)</u>
Net change in Plan fiduciary net position	35,688	44,646
Plan fiduciary net position beginning of fiscal year	<u>350,819</u>	<u>306,173</u>
Plan fiduciary net position end of fiscal year	<u>386,507</u>	<u>350,819</u>
Plan's net pension asset end of the fiscal year	<u><u>\$ (115,343)</u></u>	<u><u>\$ (101,925)</u></u>

Covered payroll	\$ 541,258	\$ 457,580
Net pension asset as a percentage of covered payroll	-21.31%	-22.27%
Contributions	\$ 11,500	\$ 7,000

El Camino Healthcare District
Supplemental Pension and Post-Retirement Benefit Information (Continued)
For the Years Ended June 30, 2025 and 2024

The following table summarizes the contribution status of the Hospital's cash-balance pension plan (in thousands) over the last 10 years:

	FY2025	FY2024	FY2023	FY2022	FY2021
Actuarially determined contribution	TBD	\$ 4,872	\$ -	\$ -	\$ -
Contributions related to actuarially determined contribution	TBD	\$ 14,000	\$ 14,000	\$ 10,000	\$ 8,500
Contribution deficiency (excess)	TBD	(9,128)	(14,000)	(10,000)	(8,500)
Covered payroll	\$ 541,258	\$ 457,580	\$ 409,092	\$ 389,552	\$ 359,322
Contribution as % of covered payroll	TBD	3.06%	3.42%	2.57%	2.37%
Contributions made during the fiscal year	\$ 20,000	\$ 14,000	\$ 14,000	\$ 4,500	\$ 14,000
	FY2020	FY2019	FY2018	FY2017	FY2016
Actuarially determined contribution	\$ 7,801	\$ 10,888	\$ 10,155	\$ 8,445	\$ 2,736
Contributions related to actuarially determined contribution	\$ 10,300	\$ 12,900	\$ 11,600	\$ 10,900	\$ 10,500
Contribution deficiency (excess)	(2,499)	(2,012)	(1,445)	(2,455)	(7,764)
Covered payroll	\$ 335,696	\$ 315,317	\$ 297,737	\$ 283,435	\$ 283,776
Contribution as % of covered payroll	3.07%	4.09%	3.90%	3.85%	3.70%
Contributions made during the fiscal year	\$ 9,800	\$ 12,800	\$ 10,400	\$ 10,900	\$ 9,900

Actuarially determined contributions are calculated as of January 1 and are based on the IRS minimum funding requirement. The contributions related to the actuarially determined contributions are amounts made for the plan year January 1 to December 31. Contributions made during the fiscal year are contribution amounts made during July 1 and June 30.

Supplemental post-retirement benefit information – As of June 30, 2025 and 2024, post-retirement medical benefits plan's fiduciary net position as a percentage of the total OPEB liability is 0% for both years.

The 2025 and 2024 covered payroll for the active population eligible to participate in the post-retirement medical benefits plan is \$22,558,900 and \$22,558,900 for 2025 and 2024, respectively. The net post-retirement medical benefits liability for the fiscal year ended June 30, 2025 and 2024, is \$22,027,500 and \$22,737,800, respectively. The net post-retirement medical benefits liability as a percentage of covered-employee payroll, as of the same time period, was 97.64% and 100.79%, respectively.

Supplemental Schedule of Community Benefit (unaudited)
For the Years Ended June 30, 2025 and 2024

The District and the Hospital maintain records to identify and monitor the level of direct community benefit it provides. These records include the charges foregone for providing the patient care furnished under its charity care policy. For the years ended June 30, 2025 and 2024, the estimated costs of providing community benefit in excess of reimbursement from governmental programs were as follows (in thousands):

	2025	2024
Unpaid costs of Medi-Cal & Indigent programs	\$ 86,026	\$ 78,306
Other community-based programs		
Psychiatric	19,492	12,892
Clinical trial	115	82
Ambulatory care	17,168	18,612
Psychiatric outpatient	2,730	2,615
Total other community-based programs	39,505	34,201
Total community benefits	<u>\$ 125,531</u>	<u>\$ 112,507</u>

In furtherance of its purpose to benefit the community, the Hospital provides numerous other services to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. These services include providing access to healthcare through interpreters, referral and transport services, healthcare screening, community support groups and health educational programs, and certain home care and hospice programs. The estimated costs of Medicare programs in excess of reimbursement from Medicare were \$168,056,000 and \$143,509,000 for the years ended June 30, 2025 and 2024, respectively.

The Hospital also provides services to the community through the operations of the El Camino Hospital Auxiliary, Inc. (the "Auxiliary"). Services provided by volunteers of the Auxiliary, free of charge to the community, include assistance and counseling to patients and visitors, provision of scholarship awards to qualifying paramedical students, and daily personal contact with members of the community who are living alone.

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Report of Independent Auditors and
Financial Statements with
Supplemental Schedule

El Camino Hospital 403(b) Retirement Plan

December 31, 2024 and 2023

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Financial Statements

El Camino Hospital 403(b) Retirement Plan
Statements of Net Position Available for Benefits
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Investments, at fair value		
Registered investment companies	\$ 862,473,891	\$ 729,470,990
Money market account	27,636,292	23,546,741
Self directed brokerage account	<u>32,130,418</u>	<u>24,125,779</u>
Total fair value	922,240,601	777,143,510
Variable annuity contracts, at contract value	<u>23,175,690</u>	<u>27,792,029</u>
Total investments	<u>945,416,291</u>	<u>804,935,539</u>
Receivables		
Notes receivable from participants	11,556,597	11,422,921
Employer match receivable	<u>19,078,909</u>	<u>17,247,460</u>
Total receivables	<u>30,635,506</u>	<u>28,670,381</u>
NET POSITION AVAILABLE FOR BENEFITS	<u><u>\$ 976,051,797</u></u>	<u><u>\$ 833,605,920</u></u>

See accompanying notes

El Camino Hospital 403(b) Retirement Plan
Statement of Changes in Net Position Available for Benefits
Year Ended December 31, 2024

ADDITIONS TO NET ASSETS ATTRIBUTED TO

Investment income

Net appreciation in fair value of investments \$ 89,736,212

Dividends and interest 31,810,309

Total investment income 121,546,521

Interest income on notes receivable from participants 819,906

Contributions

Participant deferrals 55,253,714

Employer match contributions 19,078,909

Rollover contributions 8,001,929

Total contributions 82,334,552

Total additions 204,700,979

DEDUCTIONS FROM NET POSITION ATTRIBUTED TO

Benefits paid to participants 61,879,454

Administrative expenses 375,648

Total deductions 62,255,102

CHANGE IN NET POSITION 142,445,877

NET POSITION AVAILABLE FOR BENEFITS, beginning of year 833,605,920

NET POSITION AVAILABLE FOR BENEFITS, end of year \$ 976,051,797

See accompanying notes

El Camino Hospital 403(b) Retirement Plan

Notes to Financial Statements

Note 1 – Description of Plan

The following description of the El Camino Hospital 403(b) Retirement Plan (the Plan) provides only general information. Participants should refer to the Plan agreement, as amended, for a more complete description of Plan provisions.

General – The Plan is a 403(b) defined contribution retirement plan covering all employees of El Camino Hospital (the Organization), including hospital-represented, PRN, and SEIU-UHW participants. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Organization is the Plan's sponsor and serves as Plan Administrator. At December 31, 2024, there were 5,772 Plan participants consisting of 4,437 active participants and 1,335 inactive or separated participants; and at December 31, 2023, there were 5,583 Plan participants consisting of 4,277 active participants and 1,306 inactive or separated participants.

Eligibility – All full-time, part-time, and per-diem employees of the Organization are eligible to participate in elective contributions in the Plan upon date of hire. Employees are eligible to receive employer matching contributions upon completion of one year of service, defined as working 12 months for a minimum of 1,000 hours.

Contributions – Participants may elect to contribute up to the legal limit on a before-tax basis. Participants may also elect to contribute Roth contributions to the Plan. The Plan permits the automatic enrollment of eligible full-time employees in the Plan with contributions of 2% of eligible compensation, unless the employee affirmatively elects otherwise. Employer matching contributions are made for eligible employees based on a percentage of a participant's eligible compensation. Employer matching contributions range from 4% to 7% and are determined based on years of continuous service. Contributions are subject to regulatory limitations.

Participant accounts – Each participant's account is credited with the participant's and employer's contributions and allocations of plan earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. Participants may direct the investment of their account balances into various investment options offered by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting – Participants are fully vested in their salary deferrals plus actual earnings thereon. All participants vest 100% in the Organization's matching contributions after three years of credited service.

Notes receivable from participants – Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. The maximum loan term is five years unless the loan term qualifies as a home loan, in which case the term of the loan is not to exceed fifteen years.

Loans are secured by the balance of the participant's account and bear fixed, reasonable rates of interest, as determined by the custodians. Principal and interest are paid ratably through payroll deductions or paid directly by the participant to the custodians through monthly ACH transactions. As of December 31, 2024, the rates of interest on outstanding loans with Fidelity Management Trust Company (Fidelity) ranged from 4.25% to 9.50%, with various maturities through September 2038. The loans with Fidelity are considered assets of the Plan and totaled \$11,556,597 and \$11,422,921 as of December 31, 2024 and 2023, respectively.

El Camino Hospital 403(b) Retirement Plan

Notes to Financial Statements

Prior to 2009, the Plan allowed plan loans made directly between the participant and Lincoln National Life Insurance Company (Lincoln), or between the participant and The Variable Annuity Life Insurance Company (VALIC), and were collateralized by the participant's account. The rates of interest on outstanding loans with Lincoln ranged from 3.25% to 5.50%, with various maturities through October 2021. The rate of interest on outstanding loans with VALIC were 4.50%, with various maturities through August 2010. The total collateral included in the Plan's assets was approximately \$201,000 and \$217,000 at Lincoln, and \$43,000 and \$41,000 at VALIC, as of December 31, 2024 and 2023, respectively. Total collateral consists of defaulted loans that have not been foreclosed on. The loans themselves are not reported assets of the Plan.

Payment of benefits – On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's account balance, or annual installments over a period of time. For termination of service for other reasons, a participant may receive the value of the vested interest in their account as a lump-sum distribution.

Forfeitures – Forfeitures are the nonvested portion of a participant's account that are lost upon termination of employment. Forfeitures are retained in the Plan and will be used to pay plan administrative expenses or to reduce future Organization contributions. As of December 31, 2024 and 2023, forfeited nonvested accounts totaled approximately \$126,000 and \$129,000, respectively, and approximately \$130,000 was used to reduce 2024 Organization contributions.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units, using the accrual method of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of estimates – The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that affect the reported amounts of net position available for benefits and changes therein. Actual results could differ from those estimates.

Investment valuation – Investments are stated at fair value and contract value. Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Contract value is the relevant measurement for assets invested in fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the Plan.

Income recognition – Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis. The net appreciation or depreciation in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

El Camino Hospital 403(b) Retirement Plan

Notes to Financial Statements

Contributions – Contributions from participants and corresponding matching contributions are recorded in the year in which the employee contributions are withheld from compensation.

Benefits paid to participants – Benefits are recorded when paid.

Administrative and investment expenses – Administrative expenses related to operating and maintaining the Plan are paid by the Organization. Certain investment and transaction fees are paid by participants in the Plan.

The Plan entered into a revenue credit program (the Program) with Fidelity where revenue credits are deposited to an account held in the Plan. The amount of the revenue sharing received from each investment manager, and calculated for each quarter using the fund balances in the Program, is credited to the account. Amounts in this account are used to offset program administrative expenses and any amounts unused for expenses will be allocated to participant accounts. During the year ended December 31, 2024, the account was credited with approximately \$725,000 in revenue sharing, used \$328,000 to pay administrative fees, and \$454,000 of revenue sharing credits was allocated to participants. As of December 31, 2024 and 2023, revenue credits held in the Plan were approximately \$98,000 and \$138,000, respectively.

Subsequent events – Subsequent events are events or transactions that occur after the statement of net position available for benefits date but before the financial statements are available to be issued. The Plan recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position available for benefits, including the estimates inherent in the process of preparing the financial statements. The Plan's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position available for benefits but arose after the statement of net position available for benefits date and before the financial statements are available to be issued.

The Plan has evaluated subsequent events through **October XX, 2025**, which is the date the financial statements were available to be issued.

Note 3 – Investments

Investment risk – Investment securities are exposed to various risks that can affect the value of the Plan's investments such as custodial credit risk, interest rate risk, credit risk, concentration risk, and foreign currency risk. The Plan invests in registered investment companies (mutual funds), a money market account, a self-directed brokerage account, and variable annuity contracts. Mutual fund holdings in equity securities, money market accounts, self-directed brokerage accounts, and variable annuity contracts respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while holdings in debt securities are particularly sensitive to credit risk and change in interest rates.

Custodial credit risk – Custodial credit risk is the risk that in the event of a failure by the counterparty, the Plan will not be able to recover the value of its investments that are in the possession of an outside party. The Plan's policies do not specifically address custodial credit risk, but all of the Plan's investments are insured, registered, or held, by the Plan or its agent in the Plan's name.

El Camino Hospital 403(b) Retirement Plan

Notes to Financial Statements

Interest rate risk – Interest rate risk arises from the likelihood that interest rates will rise or fall during the holding period of a fixed rate security and adversely affect the selling price of the security prior to maturity. The price of a debt security typically moves in the opposite direction of the change in interest rates. The Plan invests in mutual funds, a money market account, and a self-directed brokerage account; however, there are no restrictions to the Plan's ability to sell these investments on any given trading date, which mitigates the interest rate risk of the investments.

Credit risk – Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its payments on a security under the original term. The Plan does not have this type of credit risk. The Plan invests in mutual funds, a money market account, a self-directed brokerage account, and variable annuity contracts; however, information regarding the credit risk of the investments was not readily available.

Note 4 – 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. The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of inputs used to establish fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

El Camino Hospital 403(b) Retirement Plan

Notes to Financial Statements

Following are descriptions of the valuation methodologies used for assets measured at fair value:

Registered investment companies (mutual funds) – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Self-directed brokerage accounts – Accounts primarily consist of mutual funds and common stocks that are valued on the basis of readily determinable market prices.

Interest-bearing cash (money market fund) – Certificates of deposit are 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 following tables disclose the fair value hierarchy of the Plan's assets at fair value at December 31:

2024				
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 862,473,891	\$ -	\$ -	\$ 862,473,891
Money market fund	27,636,292	-	-	27,636,292
Self directed brokerage account	32,130,418	-	-	32,130,418
Investments at fair value	<u>\$ 922,240,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 922,240,601</u>
2023				
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 729,470,990	\$ -	\$ -	\$ 729,470,990
Money market fund	23,546,741	-	-	23,546,741
Self directed brokerage account	24,125,779	-	-	24,125,779
Investments at fair value	<u>\$ 777,143,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,143,510</u>

Note 5 – Variable Annuity Contracts

The Plan's variable annuity contracts meet the fully benefit-responsive investment contract (FBRIC) criteria and therefore are reported at contract value. Contract value is the relevant measure for FBRICs because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value as reported to the Plan by Fidelity, Lincoln, and VALIC represents contributions made under the contract, plus earnings, less participant withdrawals. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

The Plan's ability to receive amounts due is dependent on the issuer's ability to meet its financial obligations, which may be affected by future economic and regulatory developments.

El Camino Hospital 403(b) Retirement Plan

Notes to Financial Statements

Certain events might limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (1) amendments to the plan documents, including complete or partial plan termination or merger with another plan; (2) changes to the Plan's prohibition on competing investment options, or deletion of equity wash provisions; (3) bankruptcy of the Plan sponsor or other Plan sponsor events, for example, divestitures or spin-offs of a subsidiary, that cause a significant withdrawal from the plan; (4) the failure of the trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA; or (5) premature termination of the contract. No events have a probability of occurring that might limit the Plan's ability to transact at contract value with the contract issuer and that also would limit the ability of the Plan to transact at contract value with the participants.

The Plan invests in the New York Life Guaranteed Interest Account, which is a variable annuity contract that guarantees principal and accumulated interest. Guarantees are provided to participating retirement plans through a group annuity contract issued by New York Life Insurance Company. The fund seeks to provide competitive yields and limited volatility with a guarantee of principal and accumulated interest. These guarantees are backed by the full faith and credit of New York Life Insurance Company. Contributions to the Guaranteed Interest Account are invested in a group annuity contract issued by New York Life Insurance Company. Contributions to the contract are currently invested in a broadly diversified fixed income portfolio within New York Life Insurance Company's general account. The investments in the general account are intended to provide a stable crediting rate consistent with preservation of principal.

The Plan invests in the Lincoln Financial Fixed Account, which is a variable annuity contract. Funds under the variable annuity contract are maintained in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Lincoln is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

There are no reserves against contract value for credit risk or the contract issuer or otherwise. Crediting rates on the investment contracts are based on a formula agreed upon with the issuer. Interest rates are reviewed on an annual basis for resetting.

Crediting interest rates estimated for each of the custodians for the years ended December 31 were as follows:

	<u>2024</u>	<u>2023</u>
Fidelity Variable Annuity Contracts		
New York Life Guaranteed Interest Account		
Crediting interest rate	3.00%	2.64%
Lincoln Variable Annuity Contracts		
Fixed Account		
Crediting interest rate	3.54%	3.40%

El Camino Hospital 403(b) Retirement Plan

Notes to Financial Statements

Note 6 – Tax Status

The Plan has been designed to qualify under Section 403(b) of the Internal Revenue Code (IRC). The terms of the Plan have been prepared to conform with the sample language provided by the IRS. The Plan is required to operate in conformity with the IRC to maintain the tax exempt status for participants under Section 403(b).

In accordance with guidance on accounting for uncertainty in income taxes, the Plan Administrator has evaluated the Plan's tax positions and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 7 – Party-in-Interest Transactions

Plan investments include shares of registered investment companies managed by Fidelity, Lincoln, and VALIC. As these are custodians of the Plan, transactions with these entities qualify as exempt party-in-interest transactions.

Note 8 – Plan Termination

Although it has not expressed any intention to do so, the Organization has the right to terminate the Plan and discontinue its contributions at any time. If the Plan is terminated, amounts allocated to a participant's account become fully vested.

Note 9 – Reconciliation to Form 5500

The Form 5500 has certain items that differ from amounts shown on the accompanying financial statements. These differences relate to classification only and have no effect upon the net position for either period.

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Supplemental Schedule – Required by the Department of Labor

El Camino Hospital 403(b) Retirement Plan
Employer Identification Number: 94-3167314, Plan Number: 002
Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year)
December 31, 2024

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value
	Registered investment companies			
	T. Rowe Price Retirement 2030	Registered investment company	**	\$ 102,517,499
*	Fidelity 500 Index Fund	Registered investment company	**	123,200,713
	T. Rowe Price Retirement 2040	Registered investment company	**	82,645,538
	T. Rowe Price Retirement 2035	Registered investment company	**	79,901,427
	J.P. Morgan Large Cap Growth R6	Registered investment company	**	87,316,814
	T. Rowe Price Retirement 2025	Registered investment company	**	57,304,444
	T. Rowe Price Retirement 2045	Registered investment company	**	69,763,967
	T. Rowe Price Retirement 2020	Registered investment company	**	36,044,739
	T. Rowe Price Retirement 2050	Registered investment company	**	60,033,244
	T. Rowe Price Retirement 2055	Registered investment company	**	31,632,456
*	Fidelity Extended Market Index Fund	Registered investment company	**	22,155,320
	T. Rowe Price Retirement 2060	Registered investment company	**	16,992,776
*	Fidelity Total Bond Fund	Registered investment company	**	12,072,301
	T. Rowe Price Retirement 2015	Registered investment company	**	9,810,928
	AF Europac Growth R6	Registered investment company	**	9,468,168
	T. Rowe Price Equity Income Fund	Registered investment company	**	10,435,055
	Northern Small Cap Value Fund	Registered investment company	**	7,950,698
	Conestoga Small Cap Investors Fund	Registered investment company	**	6,999,926
*	Fidelity U.S. Bond Index Fund	Registered investment company	**	6,853,275
	C&S Investment Reality Shares	Registered investment company	**	4,863,214
	T. Rowe Price Retirement 2010	Registered investment company	**	5,245,014
*	Fidelity Global ex US Index Fund	Registered investment company	**	4,301,115
	T. Rowe Price Retirement 2005	Registered investment company	**	3,626,098
	Dodge & Cox International Stock Fund	Registered investment company	**	1,999,811
*	Fidelity VIP Contrafund	Registered investment company	**	1,734,366
	American Funds Growth	Registered investment company	**	1,354,087
	DFA International Small Company Portfolio I	Registered investment company	**	823,752
	LVIP Macquarie VIP SMID Cap Growth	Registered investment company	**	953,552
	T. Rowe Price Retirement 2065	Registered investment company	**	259,958
	American Funds Growth-Income	Registered investment company	**	581,281
*	LVIP Dimensional U.S. Core Equity 1	Registered investment company	**	505,253
*	LVIP Macquarie Social Awareness	Registered investment company	**	493,414
	American Funds International	Registered investment company	**	374,268
*	LVIP Blackrock Dividend Value Managed Volatility	Registered investment company	**	283,456
	Macquarie VIP Small Cap Value	Registered investment company	**	210,659
*	LVIP Macquarie Bond	Registered investment company	**	179,575
*	LVIP SSGA S&P 500 Index	Registered investment company	**	234,247
*	LVIP Macquarie Mid Cap Value Fund	Registered investment company	**	184,228
*	LVIP JPMorgan Retirement Income Fund	Registered investment company	**	134,836
*	LVIP T. Rowe Price Structured Mid-Cap Growth	Registered investment company	**	135,168
*	LVIP Global Moderate Allocation Managed risk	Registered investment company	**	128,526
*	LVIP Baron Growth Opportunities	Registered investment company	**	114,095
*	LVIP Macquarie Value Series	Registered investment company	**	88,626
*	LVIP Global Growth Allocation Managed Risk	Registered investment company	**	99,744
*	LVIP Blended Large Cap Growth Managed Volatility	Registered investment company	**	116,022
	American Funds Global Growth	Registered investment company	**	85,087
*	LVIP Macquarie Diversified Income	Registered investment company	**	67,084
	MFS Utilities	Registered investment company	**	64,156
*	LVIP SSGA S&P 500 Index VIP REIT	Registered investment company	**	54,959
*	LVIP Macquarie Wealth Builder Fund	Registered investment company	**	46,396
*	LVIP Mondrian International Value	Registered investment company	**	22,356
*	Fidelity VIP Growth	Registered investment company	**	5,067
*	LVIP Vanguard International Equity ETF	Registered investment company	**	1,253

El Camino Hospital 403(b) Retirement Plan
Employer Identification Number: 94-3167314, Plan Number: 002
Schedule H, Line 4(i) - Schedule of Assets (Held at End of Year)
December 31, 2024

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor, or similar party	Description of investment including maturity date, rate of interest, collateral, par, or maturity value	Cost	Current value
	Blackrock Global Allocation	Registered investment company	**	\$ 2,761
*	LVIP SSGA Global Tactical Allocation Managed Volatility	Registered investment company	**	543
*	Fidelity VIP Freedom Target Date 2035	Registered investment company	**	290
*	LVIP JPMorgan Select Mid Cap Value Managed Volatility	Registered investment company	**	207
*	LVIP SSGA Small-cap Index	Registered investment company	**	44
*	LVIP SSGA International Managed Volatility Fund	Registered investment company	**	35
	Total registered investment companies			<u>862,473,891</u>
	Money market accounts			
	Vanguard Federal Money Market Fund	Money market account	**	<u>27,636,292</u>
	Total money market accounts			<u>27,636,292</u>
	Self-directed brokerage accounts			
*	Fidelity BrokerageLink	Self directed brokerage account	**	<u>32,130,418</u>
	Total self directed brokerage accounts			<u>32,130,418</u>
	Variable annuity contracts			
	New York Life Guaranteed Interest Account	Variable annuity contract	**	21,319,410
*	Fixed Account	Guaranteed investment contract	**	1,812,935
*	Loan Collateral Fund	Guaranteed investment contract	**	42,029
*	Loan Escrow Fund	Variable annuity contract	**	1,316
	Total variable annuity contracts			<u>23,175,690</u>
	Participant loans			
*	Participant loans	Interest rates ranging from 4.25% to 9.5% maturing through September 2038	0	<u>11,556,597</u>
				<u>\$ 956,972,888</u>

* Indicates party-in-interest.

** Information is not required as investments are participant directed.

Report of Independent Auditors and
Financial Statements with
Supplemental Schedules and
Required Supplementary Information

El Camino Hospital Cash Balance Plan

December 31, 2024 and 2023

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Management's Discussion and Analysis

El Camino Hospital Cash Balance Plan Management's Discussion and Analysis

This section of El Camino Hospital Cash Balance Plan's (the Plan's) annual financial report presents the management discussion and analysis of the Plan's financial performance as of and for the year ended December 31, 2024, the Plan's normal accounting year. It also includes selected comparative information as of and for the year ended December 31, 2023. It should be read in conjunction with the Plan's annual audited financial statements, which follow this section.

Overview – The Plan was established on July 1, 1963, by El Camino Hospital (the Organization) and has been amended from time to time since that date, as further described below.

Financial highlights – During the year ended December 31, 2024, the net position held in trust for pension benefits increased by approximately 10%. Employer contributions were \$17 million in 2024, compared to \$14 million in 2023. Benefit payments were \$15 million in 2024, compared to \$13 million in 2023. Net investment income was \$35.3 million in 2024, compared to net investment of \$43.6 million in 2023.

Financial analysis of the pension plan – Total contributions have exceeded the actuarially determined contribution amounts dating back to 2014, due to the decision made by the Organization's Board of Directors to fund the Plan at amounts above actuarially determined contributions. In the current year, the discount rate used to measure total pension liability remained consistent with the prior year at 6.7%.

Operating statistics – The actuarial cost method used to attribute the actuarial present value of projected benefit payments of each Plan member is the entry age normal cost method. Under the entry age normal cost method, the actuarial present value of the projected benefits for each individual included in the actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability.

The Organization's net pension liability is calculated as the total pension liability, defined as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service, less the Plan fiduciary net position. A comparison of the components of the net position liability as of December 31, 2024 and 2023, is as follows:

	2024	2023
Total pension liability	\$ 271,164,820	\$ 248,893,756
Plan fiduciary net position	<u>(391,495,076)</u>	<u>(354,318,728)</u>
Organization's net pension liability (asset)	<u><u>\$(120,330,256)</u></u>	<u><u>\$(105,424,972)</u></u>
Organization's fiduciary net position as a percentage of total pension liability (asset)	144.38%	142.36%

Overview of the financial statements – The financial statements consist of four parts: management's discussion and analysis (this section), the basic financial statements together with the related notes, certain required supplemental schedules as required by the Department of Labor, and certain required supplementary information as mandated by certain pronouncements of the Governmental Accounting Standards Board (GASB).

El Camino Hospital Cash Balance Plan Management's Discussion and Analysis

The basic financial statements present information about the Plan's fiduciary net position and changes in fiduciary net position for the respective years. The basic financial statements also include notes to explain some of the information in the financial statements and to provide more details. The notes are followed by a section of required supplemental schedules that display additional detail information not in the basic financial statements, but which are required by the Department of Labor. The supplemental schedules are followed by a section of required supplementary information that displays additional detail information not in the basic financial statements, but which is required by the pronouncements of the GASB and relates to pension liability and required contributions. The statement of fiduciary net position displays the assets and liabilities and resulting net position of the Plan as of the end of the year. All assets are valued at fair value.

The following is the abbreviated statement of fiduciary net position (in thousands):

	2024	2023
Cash and investments	\$ 386,508	\$ 350,717
Employer contribution receivable	5,000	3,500
Interest and dividends receivable	100	102
Net pending trades	(113)	-
Total fiduciary net position	<u>\$ 391,495</u>	<u>\$ 354,319</u>

During the year ended December 31, 2024, the Plan's fiduciary net position increased by 10%. The Plan's policies allow investments consisting of fixed income and equity marketable securities, alternatives, and cash.

The statement of changes in fiduciary net position reflects the employer contributions and investment return, net of investment expenses, less benefits paid.

Changes in fiduciary net position are summarized as follows (in thousands):

	2024	2023
Investment income, net	\$ 35,332	\$ 43,623
Employer contributions	17,000	14,000
Benefit payments	(15,125)	(12,953)
Administrative expenses	(31)	(24)
Change in fiduciary net position	<u>\$ 37,176</u>	<u>\$ 44,646</u>

The decrease in investment income is due to a decrease in net appreciation in fair value of investments due to decreased returns on the Plan's investments during the year ended December 31, 2024.

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Financial Statements

El Camino Hospital Cash Balance Plan
Statements of Fiduciary Net Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Investments, at fair value		
Mutual funds	\$ 246,528,364	\$ 226,516,966
Limited liability company	67,317,240	59,591,482
Common stock	40,187,046	34,075,095
Partnerships	6,010,488	7,692,688
Pooled, common, and collective trusts	13,022,904	12,167,581
Corporate bonds	66,280	123,206
U.S. government securities	3,467,738	2,486,850
Cash and cash equivalents	9,907,587	8,062,665
	<u>386,507,647</u>	<u>350,716,533</u>
Receivables		
Employer contributions	5,000,000	3,500,000
Interest and dividends	100,261	102,195
Net pending trades	(112,832)	-
	<u>4,987,429</u>	<u>3,602,195</u>
NET POSITION RESTRICTED FOR PENSIONS	<u><u>\$ 391,495,076</u></u>	<u><u>\$ 354,318,728</u></u>

See accompanying notes.

El Camino Hospital Cash Balance Plan
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ADDITIONS TO NET ASSETS ATTRIBUTED TO		
Investment income		
Net appreciation in fair value of investments	\$ 27,894,382	\$ 37,027,728
Dividends	6,534,764	5,851,850
Interest	902,994	743,732
Total investment income	<u>35,332,140</u>	<u>43,623,310</u>
Contributions		
Employer contributions	<u>17,000,000</u>	<u>14,000,000</u>
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO		
Benefits paid to participants	15,124,594	12,953,121
Administrative expenses	31,198	24,212
Total deductions	<u>15,155,792</u>	<u>12,977,333</u>
INCREASE IN NET POSITION	37,176,348	44,645,977
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	<u>354,318,728</u>	<u>309,672,751</u>
End of year	<u>\$ 391,495,076</u>	<u>\$ 354,318,728</u>

See accompanying notes.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

Note 1 – Description of Plan

The following description of El Camino Hospital Cash Balance Plan (the Plan) provides only general information. Participants should refer to the Plan agreement, as amended, for a more complete description of Plan provisions.

General – The Plan was originally adopted as a defined benefit plan, and was amended and restated in its entirety to a cash-balance formula effective January 1, 1995. Effective January 1, 2014, the Plan was again restated and amended. The Plan is administered by the sponsor, El Camino Hospital (the Plan Administrator, or the Organization). Principal Bank (Principal) is the custodian of the Plan's assets. The Plan is a noncontributory defined benefit plan intended to qualify under Section 401(a) of the Internal Revenue Code (IRC). At December 31, 2024, there were 5,007 Plan participants consisting of 4,363 active participants and 644 inactive or separated participants; and at December 31, 2023, there were 5,148 Plan participants consisting of 3,360 active participants and 1,788 inactive or separated participants.

Participant accounts – The Plan maintains “participant account balances,” equal to a participant's account balance established as of January 1, 1995, upon the conversion to the cash-balance formula, plus subsequent contribution credits and interest credits related to the participant's accumulated cash balance, participant match contribution credits, and participant match interest credits.

Contribution credits of 5% of eligible compensation for the year are credited to a participant's account as of the last day of the Plan year. Each year, interest credits related to a participant's cash balance are credited to the participant's account in an amount that is equal to a percentage of a participant's account balance at the beginning of the Plan year. The percentage rate used is the annual rate of return on 10-year treasury securities in effect for the third month (October) immediately preceding the first day of the applicable Plan year. The rates credited were 3.98% and 1.58% for the years beginning January 1, 2024 and 2023, respectively.

Employee contributions – Contributions by participants are not required or permitted by the Plan.

Employer contributions – The Organization's funding policy is to contribute amounts to the Plan necessary to meet minimum funding requirements. The Organization's contributions for 2024 and 2023 exceeded the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

Although it has not expressed any intention to do so, the Organization has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA.

Eligibility – Organization employees are eligible to participate on the first day of the month succeeding the later of the date on which they complete one year of service, which is defined as working 12 months for a minimum of 1,000 hours, and they reach age 21.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

Funding policy – The amount of employer contributions is determined based on actuarial valuations and recommendations as to the amounts required to fund benefits. Contributions are made by the Organization based on the results of the actuarial recommendations. The Organization intends to make contributions in amounts not less than the minimum required by the funding standards of ERISA and is required to keep the Plan qualified under Section 401(a) of the IRC. Participants are not permitted to contribute to the Plan.

Vesting – Participants are fully vested with their third year of service.

Pension benefits – Monthly benefit payments, based upon a formula described in the Plan document, commence within 30 days of the normal retirement date, early retirement date, or deferred retirement date. A participant may elect to defer retirement past the normal retirement age, which will result in benefits greater than 100%, based on a published scale. The eligibility requirement for early retirement is age 55. Early retirement benefits are calculated by multiplying the accrued benefit as of the early retirement date by a percentage defined in the Plan document.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are 2.00%, compounded annually.

On termination of service, a participant may elect to receive either a lump-sum amount equal to the value of the participant's account balance or annuity payments based upon formulas described in the Plan document.

Death benefits – The Plan provides death benefits in the form of a qualified pre-retirement survivor annuity for life equal to the annuity that would have been payable to the spouse if the participant had retired on the day preceding the participant's death. At the option of the beneficiary, the benefit may be paid in a lump-sum.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units, using the accrual method of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein; disclosure of contingent assets and liabilities; and the actuarial present value of accumulated plan benefits, at the date of the financial statements. Actual results could differ from those estimates.

Investment valuation – Investments are reported at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability (the "exit price") in an orderly transaction between market participants at the measurement date. See Note 6 for discussion of fair value measurements.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

Income recognition – Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation or depreciation in fair value of investments consists of both the realized gains or losses, and unrealized appreciation (depreciation) of those investments.

Benefits paid to participants – Benefit payments to participants are recorded upon distribution.

Administrative expenses – Administrative fees, such as custodian, actuarial, and certain other administrative expenses, may be paid by the Plan or the Organization.

Subsequent events – Subsequent events are events or transactions that occur after the statement of fiduciary net position date but before the financial statements are available to be issued. The Plan recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of fiduciary net position, including the estimates inherent in the process of preparing the financial statements. The Plan's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of fiduciary net position but arose after the statement of fiduciary net position date and before the financial statements are available to be issued.

The Plan has evaluated subsequent events through **October XX, 2025**, which is the date the financial statements were available to be issued.

Note 3 – Investments

Investment policy – The Retirement Plan Administrative Committee, appointed by the Organization's Board of Directors (the Board), is responsible for the oversight of the Plan's investments and investment policy. The investment policy presents ranges for investment types as follows:

Domestic equities	32%
International equities	18%
Alternatives	20%
Broad fixed income	25%
Cash	5%

The following table displays the expected long-term rates of return by asset class:

	Expected long-term real rate of return
Domestic equities	6.4%
International equities	8.2%
Alternatives	8.0%
Broad fixed income	4.4%
Cash	3.0%

EI Camino Hospital Cash Balance Plan

Notes to Financial Statements

Money-weighted rate of return – During the years ended December 31, 2024 and 2023, the annual money-weighted rate of return on the Plan's investments, net of investment expenses, was 10.06% and 14.22%, respectively. The money-weighted rate of return expresses investment performance, net of investment fees, adjusted for the changing amounts actually invested.

Long-term expected rate of return – The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return 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 percentage adjusted for inflation.

Discount rate – The discount rate used to measure the total pension liability was 6.70%. The projection of cash flows used to determine the discount rate assumes that the Organization will continue to make annual contributions based on Internal Revenue Service (IRS) funding requirements without consideration of the funding relief rules under MAP-21, HATFA, and BBA 2015. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to 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.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability, calculated using the discount rate of 6.70%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.70%) or 1-percentage-point higher (7.70%) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
Net pension liability (asset) as of December 31, 2024	\$ (89,484,855)	\$(115,330,256)	\$(137,650,497)

Investment risk – There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Plan manages its investment risk factors by diversifying its portfolio.

Custodial credit risk – Custodial credit risk is the risk that in the event of a failure by the counterparty, the Plan will not be able to recover the value of its investments that are in the possession of an outside party. As of December 31, 2024, the Plan's investments are held by third-party safekeeping custodians selected by the Board and registered in the Plan's name. As a result, management believes custodial credit risk is remote.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and more volatile than those with shorter durations.

Credit risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan invests in mutual funds; limited liability companies; common stock; partnerships; pooled, common, and collective trusts; corporate bonds; U.S. government securities; and cash; however, information regarding the credit risk of the investments was not readily available.

Note 4 – Net Pension Liability (Asset) of the Organization

The components of the net pension liability (asset) of the Organization were as follows:

	2024	2023
Total pension liability	\$ 271,164,820	\$ 248,893,756
Plan fiduciary net position	<u>(391,495,076)</u>	<u>(354,318,728)</u>
Organization's net pension liability (asset)	<u><u>\$(120,330,256)</u></u>	<u><u>\$(105,424,972)</u></u>
Organization's fiduciary net position as a percentage of total pension liability (asset)	144.38%	142.36%

Note 5 – Actuarial Present Value of Accumulated Plan Benefits

Actuarial present value of accumulated Plan benefits are those estimated future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions for services rendered by employees to the valuation date. Accumulated Plan benefits include benefits expected to be paid to (a) retired or terminated employees, or their beneficiaries, and (b) present employees or their beneficiaries.

Buck Global, LLC, the consulting actuaries, estimates the actuarial present value of accumulated Plan benefits. This is the amount that results from applying actuarial assumptions to adjust the accumulated Plan benefits earned by the participants to reflect the time value of money through discounts for interest and the probability of payment by means of decrements, such as for death, withdrawal, or retirement, between the valuation date and the expected date of payment.

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

The actuarial present value of accumulated Plan benefits as of December 31, 2023, the beginning of the Plan year, was as follows:

Vested benefits	
Other participants	\$ 171,858,321
Participants currently receiving payments	<u>54,423,244</u>
Total vested benefits	226,281,565
Nonvested benefits	<u>5,999,815</u>
Total benefits	<u><u>\$ 232,281,380</u></u>

The changes in actuarial present value of accumulated Plan benefits for the Plan from December 31, 2022, to December 31, 2023, were as follows:

Actuarial present value of accumulated Plan benefits at beginning of the valuation period	\$ 214,532,083
Increase (decrease) during the year attributable to:	
Benefits accumulated	14,363,470
Assumption changes	2,392,193
Interest	13,946,755
Benefits paid	<u>(12,953,121)</u>
Actuarial present value of accumulated Plan benefits at end of the valuation period	<u><u>\$ 232,281,380</u></u>

EI Camino Hospital Cash Balance Plan

Notes to Financial Statements

The significant actuarial assumptions underlying the actuarial valuation as of January 1, 2024 (beginning of the Plan year), were as follows:

Discount rate	6.70%
Mortality basis	Mortality is based on the Pri-2012 Total Employee and Retiree Mortality Tables (base year 2012) and projected with Mortality Improvement Scale MP-2021, except for current and future beneficiaries of deceased participants. For current and future beneficiaries of deceased participants, mortality is based on the Pri-2012 Contingent Survivor Mortality Tables and projected with Mortality Improvement Scale MP-2021.
Retirement	Normal retirement age is 65
Salary increase	4%
Expected long-term rate of return	6.70%
Mortality for cash balance annuity conversion and lump-sum payments	2024 Applicable Mortality Table under IRC Section 417(e)(3)
Assumed interest rate for lump-sum payment and cash balance annuity conversion	Three segment rates of 5.01%, 5.13% and 5.15%

Note 6 – Fair Value Measurements

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

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Common stock – Shares of common stock are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds – Valued using pricing models maximizing the use of observable inputs for similar securities, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. government securities – Fixed income funds are valued at the NAV of shares held by the Plan and are valued at the closing price reported on the active market on which the individual securities are traded.

Cash and cash equivalents – Cash and cash equivalents are 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.

Pooled, common, and collective trusts – Units held in pooled investment accounts are valued using the NAV practical expedient of the pooled investment account as reported by the account managers. The NAV is based on the fair value of the underlying assets owned by the pooled investment account, minus its liabilities, and then divided by the number of units outstanding. The NAV of a pooled investment account is calculated based on a compilation of primarily observable market information. The Plan invests in the following pooled investment account:

The Wellington CIF Small Cap Value Fund (Fund) was established pursuant to the Wellington Trust Multiple Collective Investment Funds Plan and Declaration of Trust (Plan and Declaration of Trust) dated June 24, 1982, as most recently amended and restated as of September 1, 2010. The Fund's investment objective is long-term total return in excess of the Russell 2000 Value Index. Wellington Management Company, LLP, an affiliate of the custodian, serves as investment adviser to the fund. As a practical expedient, the investment manager uses published NAV to fair value this investment.

Limited liability company and partnerships – This category includes investments in private equity funds and private equity real estate. The valuation of partnership interests in private equity funds may require significant management judgment. The NAV practical expedient reported by the asset manager is adjusted when management determines that NAV is not representative of fair value. In making such an assessment, a variety of factors are reviewed by management, including, but not limited to, the timeliness of NAV as reported by the asset manager and changes in general economic and market conditions subsequent to the last NAV reported by the asset manager. The Plan invests in the following private equity funds:

EI Camino Hospital Cash Balance Plan

Notes to Financial Statements

The Lighthouse Diversified Fund Limited seeks consistent stable returns by allocation of the fund's assets to a wide range of alternative investment strategies across the global financial markets. The fund's assets are managed primarily through investments in offshore investment funds, investment partnerships, and pooled investment vehicles, collectively referred to as investment funds. As a practical expedient the investment manager uses published NAV to fair value this investment.

The Pointer Offshore III, Ltd Fund was organized for purposes of trading and investing in securities, private investment companies, and other investments. The fund invests substantially all of its assets through a master-feeder structure in Pointer (QA) L.P. (the Master Fund), an investment company that has the same investment objectives of this fund. The Master Fund's investments include securities that are freely tradable and listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year. If no sale occurred on such day, the Master Fund values these investments at the mean between the closing "bid" and "asked" prices on such day. The Master Fund's investments in private investment companies are valued utilizing the NAV practical expedient valuations provided by the underlying private investment companies.

The Oaktree Real Estate Opportunities Fund VI, L.P. seeks superior risk-adjusted returns through investments in real estate and real estate-related debt, companies, securities, and other assets, on a global basis, with a primary emphasis on investments in the United States. Distributions from the fund are at the sole discretion of the general partner.

The Walton Street Real Estate Fund VII, LP was organized for the purpose of making investments in and acquisitions of real estate assets and to engage in any and all activities incidental or ancillary thereto. The fund's initial closing was May 2012, with several subsequent closings through January 2014. The fund's commitment period, during which the general partner may call capital from investors, went through November 2017, and the term of the fund will continue until the sixth anniversary of the expiration of the commitment period. Distributions from the fund are at the sole discretion of the general partner.

The Walton Street Real Estate Fund VIII, LP was organized for the purpose of making investments in and acquisitions of real estate assets and to engage in any and all activities incidental or ancillary thereto. The fund's initial closing was October 2015, with several subsequent closings through April 2017. The fund's commitment period, during which the general partner may call capital from investors, went through April 2021, and the term of the fund will continue until the sixth anniversary of the expiration of the commitment period. Distributions from the fund are at the sole discretion of the general partner.

EI Camino Hospital Cash Balance Plan

Notes to Financial Statements

The following table provides additional information for investments in certain entities that calculate NAV per share (or its equivalent):

	Fair value 12/31/24	Fair value 12/31/23	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Company					
Lighthouse Diversified Fund					
Limited Class G2	\$ 35,154,520	\$ 31,777,263	\$ -	Monthly	90 days
Pointer Offshore III, Ltd	32,162,720	27,814,219	-	Semi-annual	*
Common Collective Trust					
Wellington CIF Small Cap Value	13,022,904	12,167,581	-	Daily	**
Partnerships					
Oaktree Real Estate					
Opportunities Fund VI	1,476,942	1,848,411	1,932,000	No redemptions	N/A
Walton Street Real Estate					
Fund VII, LP	746,170	1,403,443	629,972	No redemptions	N/A
Walton Street Real Estate					
Fund VIII, LP	<u>3,787,376</u>	<u>4,440,834</u>	2,406,554	No redemptions	N/A
Total fair value	<u>\$ 86,350,632</u>	<u>\$ 79,451,751</u>			

* Notice on March 15 for June 30 redemption and on September 15 for December 31 redemption.

** Contribution or redemption requests received by 4:00 pm eastern time on any given business day will be executed at that business day's NAV; instructions received after 4:00 pm eastern time will be executed using the next business day's NAV. Cash settlement of contributions and withdrawals generally takes place on the business day following the NAV date.

EI Camino Hospital Cash Balance Plan

Notes to Financial Statements

The following tables set forth, by level within the fair value hierarchy, the Plan's assets at fair value at December 31:

	2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 9,907,587	\$ -	\$ -	\$ 9,907,587
Common stock	40,187,046	-	-	40,187,046
Corporate bonds	-	66,280	-	66,280
Mutual funds	246,528,364	-	-	246,528,364
U.S. government securities	3,467,738	-	-	3,467,738
Total assets in the fair value hierarchy	<u>\$ 300,090,735</u>	<u>\$ 66,280</u>	<u>\$ -</u>	300,157,015
Investments measured at NAV practical expedient				<u>86,350,632</u>
Total assets, at fair value				<u>\$ 386,507,647</u>

	2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 8,062,665	\$ -	\$ -	\$ 8,062,665
Common stock	34,075,095	-	-	34,075,095
Corporate bonds	-	123,206	-	123,206
Mutual funds	226,516,966	-	-	226,516,966
U.S. government securities	2,486,850	-	-	2,486,850
Total assets in the fair value hierarchy	<u>\$ 271,141,576</u>	<u>\$ 123,206</u>	<u>\$ -</u>	271,264,782
Investments measured at NAV practical expedient				<u>79,451,751</u>
Total assets, at fair value				<u>\$ 350,716,533</u>

Note 7 – Tax Status

The IRS has determined and informed the Organization by a letter dated February 25, 2021, that stated that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Plan administrator believes that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified, and the related trust is tax-exempt.

In accordance with guidance on accounting for uncertainty in income taxes, the Plan Administrator has evaluated the Plan's tax positions and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

Note 8 – Risks and Uncertainties

Plan contributions are made, and the actuarial present value of accumulated Plan benefits is reported, based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 9 – Party-in-Interest Transactions

The Organization is the Plan sponsor and administrator. Trustees who serve on the Plan's administrative committee are also participants of the Plan.

The Plan's investments include a short-term investment fund and shares of corporate bonds managed by Principal. As Principal is the custodian of the Plan, transactions with this entity qualify as exempt party-in-interest transactions.

Note 10 – Plan Termination

Although it has not expressed any intention to do so, the Organization has the right to discontinue its contributions at any time and to terminate the Plan, subject to the provisions set forth in ERISA.

In the event the Plan terminates, the net assets of the Plan will be allocated, as prescribed by ERISA and its related regulations, generally to provide the following benefits in the order indicated:

- Benefits attributable to employee contributions, taking into account those paid out before termination, if any.
- Annuity benefits that former employees or their beneficiaries have been receiving for at least three years, or that employees eligible to retire for that three-year period would have been receiving if they had retired with benefits in the normal form of annuity under the Plan. The priority amount is limited to the lowest benefit that was payable (or would have been payable) during those three years. The amount is further limited to the lowest benefit that would be payable under Plan provisions in effect at any time during the five years preceding Plan termination.
- Other vested benefits insured by the Pension Benefit Guaranty Corporation (PBGC) (a U.S. government agency) up to the applicable limitations (discussed below).
- All other vested benefits (that is, vested benefits not insured by the PBGC).
- All nonvested benefits.

El Camino Hospital Cash Balance Plan

Notes to Financial Statements

Certain benefits are insured by the PBGC if the Plan terminates. Generally, the PBGC guarantees most vested normal age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination. However, there is a statutory ceiling, which is adjusted periodically, on the amount of an individual's monthly benefit that the PBGC guarantees.

Whether all participants receive their benefits, should the Plan be terminated at some future time, will depend on the sufficiency, at the time, of the Plan's net assets to provide for accumulated benefit obligations and may also depend on the financial condition of the Plan sponsor and the level of benefits guaranteed by the PBGC.

Note 11 – Reconciliation to Form 5500

The Form 5500 has certain items that differ from amounts shown on the accompanying financial statements. These differences relate to classification only and have no effect upon the fiduciary net position for either period.

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Supplemental Schedules – Required by the Department of Labor

El Camino Hospital Cash Balance Plan
Employer Identification Number: 94-3167314, Plan Number: 001
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)
December 31, 2024

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	Mutual Funds			
	VANGUARD INSTITUTIONAL INDEX FUND	Mutual Fund; Shares: 122,713.884	\$ 22,344,077	\$ 58,765,225
	METROPOLITAN WEST TOTAL RETURN BOND	Mutual Fund; Shares: 4,894,150.951	49,239,081	40,719,336
	DODGE & COX INCOME FD COM #147	Mutual Fund; Shares: 3,521,690.162	48,358,641	43,598,524
	BNY MELLON INTERNATIONAL STOCK FUND	Mutual Fund; Shares: 914,982.679	14,100,987	20,852,455
	TOUCHSTONE SANDS CAPITAL SELECT GROWTH FUND	Mutual Fund; Shares: 1,330,008.967	17,000,893	23,900,261
	CAUSEWAY INTERNATIONAL VALUE FUND	Mutual Fund; Shares: 1,698,951.887	28,630,373	31,532,547
	CONESTOGA SMALL CAP FUND CLASS INST	Mutual Fund; Shares: 120,792.775	4,848,092	9,603,026
	HARDING LOEVNER INSTITUTIONAL EMERGING MARKETS FUND	Mutual Fund; Shares: 1,058,925.825	21,465,269	17,556,990
	Total Mutual Funds		205,987,413	246,528,364
	Common Stock			
	AECOM	Common Stock; Shares: 1,981	98,467	211,610
	AIR PRODS & CHEMS INC COM	Common Stock; Shares: 4,817	1,252,142	1,397,123
	ALPHABET INC CL A	Common Stock; Shares: 4,636	494,860	877,595
	AMERICAN EXPRESS CO	Common Stock; Shares: 3,107	240,774	922,127
	AMERICAN INTERNATIONAL GROUP, INC	Common Stock; Shares: 12,022	499,948	875,202
	APTIV PLC	Common Stock; Shares: 10,924	1,118,235	660,684
	ARAMARK	Common Stock; Shares: 10,910	252,867	407,052
	AVANTOR INC	Common Stock; Shares: 46,633	1,028,066	982,557
	AXALTA COATING SYSTEMS	Common Stock; Shares: 15,255	473,924	522,026
	BANK N S HALIFAX	Common Stock; Shares: 12,378	581,245	664,946
	BANK OF AMERICA CORP	Common Stock; Shares: 30,757	1,210,668	1,351,770
	BROADCOM INC	Common Stock; Shares: 936	25,555	217,002
	CARNIVAL CORP	Common Stock; Shares: 60,403	966,676	1,505,243
	COGNIZANT TECH SOLUTIONS CRP COM	Common Stock; Shares: 5,198	299,687	399,726
	COMCAST CORP CLASS A	Common Stock; Shares: 25,619	1,026,755	961,481
	CRH PLC	Common Stock; Shares: 8,367	491,614	774,115
	ELECTRONIC ARTS INC	Common Stock; Shares: 3,626	446,870	530,484
	ELEVANCE HEALTH INC	Common Stock; Shares: 1,584	288,766	584,338
	ENBRIDGE CORP	Common Stock; Shares: 22,146	821,466	939,655
	ENTERGY CORP NEW COM	Common Stock; Shares: 19,956	1,012,943	1,513,064
	EXXON MOBIL CORPORATION	Common Stock; Shares: 9,783	828,259	1,052,357
	FIDELITY NATL INFORMATION SVCS INC	Common Stock; Shares: 14,934	1,165,325	1,206,219
	FORTIVE CORP	Common Stock; Shares: 3,479	261,838	260,925
	HALLIBURTON CO	Common Stock; Shares: 28,151	851,280	765,426
	HESS CORP	Common Stock; Shares: 5,740	351,255	763,477
	HUNT J B RANS SVCS INC	Common Stock; Shares: 4,327	557,171	738,446
	JACOBS SOLUTIONS INC	Common Stock; Shares: 5,065	573,499	676,785
	JOHNSON CONTROLS INTERNATIONAL PLC	Common Stock; Shares: 12,934	876,009	1,020,881
	KEURIG DR PEPPER INC	Common Stock; Shares: 40,594	1,284,852	1,303,879
	LAS VEGAS SANDS CORP	Common Stock; Shares: 23,871	1,156,233	1,226,015

El Camino Hospital Cash Balance Plan
Employer Identification Number: 94-3167314, Plan Number: 001
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)
December 31, 2024

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	LITHIA MOTORS INC CL A COM	Common Stock; Shares: 2,852	845,313	1,019,390
	M&T BANK CORPORATION COM	Common Stock; Shares: 2,190	346,419	411,742
	MEDTRONIC, PLC	Common Stock; Shares: 8,223	709,257	656,853
	MERCK & CO INC NEW	Common Stock; Shares: 7,970	606,957	792,856
	MICROCHIP TECHNOLOGY INC COM	Common Stock; Shares: 7,390	427,228	423,817
	ORACLE CORPORATION	Common Stock; Shares: 6,389	354,293	1,064,663
	PERMIAN RESOURCES CORP CL A	Common Stock; Shares: 37,549	533,799	539,955
	PHILLIPS 66	Common Stock; Shares: 5,068	385,105	577,397
	PINNACLE WEST CAP CORP	Common Stock; Shares: 9,726	721,240	824,473
	PROLOGIS, INC	Common Stock; Shares: 3,893	420,735	411,490
	PUBLIC STORAGE INC COM	Common Stock; Shares: 2,528	676,538	756,984
	QUALCOMM INC	Common Stock; Shares: 5,969	560,393	916,958
	SANOFI-AVENTIS	Common Stock; Shares: 18,783	915,335	905,904
	UNITEDHEALTH GROUP INC	Common Stock; Shares: 1,942	297,299	982,380
	US BANCORP	Common Stock; Shares: 14,360	610,418	686,839
	VICI PROPERTIES INC	Common Stock; Shares: 29,591	795,549	864,353
	WELLS FARGO & CO	Common Stock; Shares: 11,477	438,025	806,144
	WILLIS TOWERS WATSON PUB LTDCO	Common Stock; Shares: 2,103	435,020	658,744
	WYNN RESORTS LTD	Common Stock; Shares: 7,042	686,216	606,739
	XCEL ENERGY INC	Common Stock; Shares: 14,324	919,080	967,155
	Total Common Stock		32,221,468	40,187,046
	Pooled, Common & Collective Trusts			
	WELLINGTON CIF SMALL CAP VALUE	Pooled investments; 755,827.272 shares	6,619,716	13,022,904
	Total Pooled, Common & Collective Trusts		6,619,716	13,022,904
	Limited Liability Company			
	POINTER OFFSHORE III, LTD	Pooled investments; 17,900,000 shares	17,900,000	32,162,720
	LIGHTHOUSE DIVERSIFIED FUND LIMITED CLASS G2	Pooled investments; 23,792.059 shares	21,000,000	35,154,520
	Total Limited Liability Company		38,900,000	67,317,240
	Partnerships			
	WALTON STREET REAL ESTATE FUND VIII, LP	Pooled investments; 410,262.46 shares	410,262	3,787,376
	OAKTREE REAL ESTATE OPPORTUNITIES FUND VI	Pooled investments; 1 share	-	1,476,942
	WALTON STREET REAL ESTATE PARTNERS LP	Pooled investments; 1,979,598.95	1,979,599	746,170
	Total Partnerships		2,389,861	6,010,488
	Corporate Bonds			
	AMERICREDIT AUTOMOBILE RECEIVABLES	Mortgage Backed Obligation; Maturity Date: 04/19/2027; 6.190%; Shares: 11,673.130	11,673	11,729
	BMW VEHICLE LEASE TRUST	Mortgage Backed Obligation; Maturity Date: 09/25/2026; 5.990%; Shares: 14,027.530	14,027	14,120
	CNH EQUIPMENT TRUST	Corporate Backed Obligation; Maturity Date: 12/15/2026; 0.810%; Shares: 5,569.420	5,569	5,491
	FED NATL MTG ASSN POOL #MA3932043	US Government Mortgage Pool; Maturity Date: 01/01/2035; 3.500%; Shares: 12,675.660	13,242	12,055
	FORD CREDIT AUTO OWNER TRUST	Corporate Backed Obligation; Maturity Date: 06/15/2026; 1.290%; Shares: 4,041.280	4,041	4,012
	GM FINANCIAL REVOLVING	Corporate Backed Obligation; Maturity Date: 06/12/2034; 1.560%; Shares: 20,000	19,996	18,873
	Total Corporate Bonds		68,548	66,280

El Camino Hospital Cash Balance Plan
Employer Identification Number: 94-3167314, Plan Number: 001
Schedule H, Line 4(i) – Schedule of Assets (Held at End of Year)
December 31, 2024

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
	U.S. Government Securities			
	U.S. TREASURY NOTE	US Government; Maturity Date: 04/30/2026; 4.875%; Shares: 1,270,000	1,280,419	1,279,868
	U.S. TREASURY NOTE	US Government; Maturity Date: 04/30/2029; 4.625%; Shares: 1,185,000	1,208,044	1,196,352
	U.S. TREASURY NOTE	US Government; Maturity Date: 02/15/2025; 1.5%; Shares: 995,000	986,214	991,518
	Total U.S. Government Securities		<u>3,474,677</u>	<u>3,467,738</u>
	Short-Term Investment Funds			
*	PRINCIPAL SHORT-TERM INVESTMENT FUND N	Cash and cash equivalents	<u>9,907,587</u>	<u>9,907,587</u>
			<u>\$ 299,569,270</u>	<u>\$ 386,507,647</u>

* Indicates party-in-interest.

El Camino Hospital Cash Balance Plan
Employer Identification Number: 94-3167314, Plan Number: 001
Schedule H, Line 4(j) – Schedule of Reportable Transactions
For the Year ended December 31, 2024

(a) Identity of party involved	(b) Description of assets	(c) Purchase price	(d) Selling price	(g) Cost of asset	(h) Current value of asset on transaction date	(i) Net gain
<u>Category (ii) - series of transactions with same party in excess of 5% of Plan assets</u>						
Chase Securities Inc.	U.S. Treasury Note					
	Series of purchases	\$ 9,508,710	\$ -	\$ 9,508,710	\$ 9,508,710	\$ -
	Series of sales	\$ -	9,804,183	\$ 9,765,931	\$ 9,804,183	\$ 38,252
<u>Category (iii) - series of transactions in excess of 5% of Plan assets</u>						
* Principal	Short-Term Investment Fund					
	Series of purchases	\$ 53,284,423	\$ -	\$ 53,284,423	\$ 53,284,423	\$ -
	Series of sales	\$ -	\$ 51,439,487	\$ 51,439,487	\$ 51,439,487	\$ -

There were no Category (i) or (iv) reportable transactions during the year ended December 31, 2024.

Columns (e) and (f) have not been presented, as this information is not applicable.

* Indicates party-in-interest.

**Supplementary Information –
Required by the Governmental Accounting Standards Board**

EI Camino Hospital Cash Balance Plan

Schedule of Changes in Employer Net Pension Liability and Related Ratios

	2024	2023	2022	2021	Year Ended December 31,		2018	2017	2016	2015
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total pension liability										
Service cost	\$ 11,933,402	\$ 10,405,585	\$ 10,459,872	\$ 10,783,864	\$ 10,165,677	\$ 9,674,847	\$ 8,891,267	\$ 8,633,120	\$ 8,948,471	\$ 8,411,421
Interest on total pension liability	16,976,960	15,747,161	13,788,889	13,736,854	13,206,647	12,743,566	12,303,667	11,847,891	11,892,812	11,509,264
Difference between expected and actual experience	6,106,139	2,111,394	2,025,034	(6,571,449)	(1,152,183)	(1,094,533)	(438,742)	2,228,006	(3,044,168)	(1,483,961)
Changes in actuarial assumptions	2,379,157	2,584,507	(7,423,018)	(2,262,872)	(550,252)	(651,502)	(9,464)	(1,876,569)	(6,663,585)	(1,989,519)
Benefit payments	(15,124,594)	(12,953,121)	(14,208,038)	(14,774,019)	(12,166,547)	(14,687,110)	(13,724,241)	(13,271,000)	(9,911,679)	(11,252,351)
Net change in total pension liability	22,271,064	17,895,526	4,642,739	912,378	9,503,342	5,985,268	7,022,487	7,561,448	1,221,851	5,194,854
Total pension liability										
Beginning of year	248,893,756	230,998,230	226,355,491	225,443,113	215,939,771	209,954,503	202,932,016	195,370,568	194,148,717	188,953,863
End of year (a)	\$ 271,164,820	\$ 248,893,756	\$ 230,998,230	\$ 226,355,491	\$ 225,443,113	\$ 215,939,771	\$ 209,954,503	\$ 202,932,016	\$ 195,370,568	\$ 194,148,717
Plan fiduciary net position										
Employer contributions	\$ 17,000,000	\$ 14,000,000	\$ 12,000,000	\$ 6,500,000	\$ 10,500,000	\$ 13,000,000	\$ 12,200,000	\$ 10,900,000	\$ 10,500,000	\$ 10,800,000
Net investment (loss) income	35,332,140	43,623,310	(53,125,208)	33,161,221	43,835,294	45,683,093	(6,920,907)	34,409,084	11,129,911	2,923,966
Pending investment settlements	-	-	155	23,712	136,397	42,416	10,033	47,975	16,424	17,244
Administrative expense	(31,198)	(24,212)	-	(10,569)	(54,131)	(100,775)	(264,092)	(122,741)	(281,202)	(170,894)
Benefit payments	(15,124,594)	(12,953,121)	(14,208,038)	(14,774,019)	(12,166,547)	(14,687,110)	(13,724,241)	(13,271,000)	(9,911,679)	(11,252,351)
Net change in plan fiduciary net position	37,176,348	44,645,977	(55,333,091)	24,900,345	42,251,013	43,937,624	(8,699,207)	31,963,318	11,453,454	2,317,965
Plan fiduciary net position										
Beginning of year	354,318,728	309,672,751	365,005,842	340,105,497	297,854,484	253,916,860	262,616,067	230,652,749	219,199,295	216,881,330
End of year (b)	\$ 391,495,076	\$ 354,318,728	\$ 309,672,751	\$ 365,005,842	\$ 340,105,497	\$ 297,854,484	\$ 253,916,860	\$ 262,616,067	\$ 230,652,749	\$ 219,199,295
Employer net pension liability (asset) (a) - (b)	\$ (120,330,256)	\$ (105,424,972)	\$ (78,674,521)	\$ (138,650,351)	\$ (114,662,384)	\$ (81,914,713)	\$ (43,962,357)	\$ (59,684,051)	\$ (35,282,181)	\$ (25,050,578)
Plan fiduciary net position as percentage of total pension liability	144.38%	142.36%	134.06%	161.25%	150.86%	137.93%	120.94%	129.41%	118.06%	112.90%
Covered payroll	\$ 541,258,307	\$ 457,580,149	\$ 409,091,528	\$ 389,551,670	\$ 359,321,685	\$ 335,696,250	\$ 315,317,002	\$ 297,737,439	\$ 283,435,064	\$ 283,775,757
Net pension liability (asset) as percentage of covered payroll	-22.23%	-23.04%	-19.23%	-35.59%	-31.91%	-24.40%	-13.94%	-20.05%	-12.45%	-8.83%

Notes to schedule

Changes in actuarial assumptions include the following:

- 1) The assumed mortality for lump sum payment and cash balance annuity conversion was changed from the 2024 IRS 417(e) Applicable Mortality table for expected payments in 2024 and later years to the 2025 IRS 417(e) Applicable Mortality table for expected payments in 2025 and later years.
- 2) The assumed interest rate for lump sum payment and cash balance annuity conversion was changed from the three segment rates of 5.01%, 5.13% and 5.15% for 2024 to the three segment rates of 4.65%, 5.28% and 5.63% for 2025 to reflect required assumptions for the current year.

El Camino Hospital Cash Balance Plan

Schedule of Employer Contributions

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Excess	Covered Payroll	Contribution as a % of Covered Payroll
2024	\$ 4,872,235	\$ 17,000,000	\$ 12,127,765	\$ 541,258,307	3.14%
2023	-	14,000,000	14,000,000	457,580,149	3.06%
2022	-	12,000,000	12,000,000	409,091,528	2.93%
2021	-	6,500,000	6,500,000	389,551,670	1.67%
2020	-	10,500,000	10,500,000	359,321,685	2.92%
2019	7,801,280	13,000,000	5,198,720	335,696,250	3.87%
2018	10,887,573	12,200,000	1,312,427	315,317,002	3.87%
2017	10,154,514	10,900,000	745,486	297,737,439	3.66%
2016	8,444,702	10,500,000	2,055,298	283,435,064	3.70%
2015	2,735,821	10,800,000	8,064,179	283,775,757	3.81%

Notes to schedule

Valuation date

Actuarially determined contributions are calculated as of January 1, the first day of the fiscal year in which the contributions are reported

Methods and assumptions used:

Actuarial cost method Entry Age Normal

Discount rate 6.70%

Expected long-term rate of return 6.70%

Salary increases 4.00%

Normal retirement age 65

Mortality Pri-2012 Total Employee and Retiree Mortality Tables (base year 2012)

El Camino Hospital Cash Balance Plan Schedule of Investment Returns

	Year Ended December 31,						
	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	10.06%	14.22%	-14.70%	9.95%	14.93%	18.18%	-2.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.



**EL CAMINO HOSPITAL BOARD OF DIRECTORS
BOARD MEETING COVER MEMO**

To: El Camino Hospital Board of Directors
From: Dan Woods, CEO
Date: October 8, 2025
Subject: Proposed FY-2025 Organizational Performance Incentive Plan Score

Recommendation:

Motion: Approve the organizational score of **111.14%**, subject to the finalization of the external audit confirming El Camino Hospital's financial results for FY-2025.

Summary:

The Executive Compensation Committee (ECC) reviewed results against FY-2025 goals and the proposed organizational score, per its Charter. The score data was validated by an external consultant and the ECC recommended board approval of the organizational score.

Progress toward the goals has been shared with the Board throughout the year. Additionally, the Quality, Patient Care, and Patient Experience Committee and the Finance Committee (the "Committees") each received updates on the Quality & Safety/Service and Financial goals.

The Committees have seen their respective results on September 8, 2025 (Quality) and August 25, 2025 (Finance) prior to the October 8, 2025 Hospital Board meeting. The Compliance and Audit Committee reviewed the financial audit results during its meeting on September 29, 2025.

The Executive Compensation Committee unanimously recommended Board approval of an organizational score of **111.14%**.



**Minutes of the Open Session of the
El Camino Hospital Board of Directors
Wednesday, September 17, 2025**

El Camino Hospital | 2500 Grant Road Mountain View, CA 94040 | Sobrato Boardroom 1

Board Members Present

Bob Rebitzer, Chair
Jack Po, Vice-Chair
John Zoglin,
Secretary/Treasurer
Lanhee Chen
Carol A. Somersille, MD
George O. Ting, MD
Don Watters

Board Members Absent

Wayne Doiguchi
Peter Fung, MD, MBA
Julia E. Miller

Staff Present

Dan Woods, CEO
Carlos Bohorquez, CFO
Mark Adams, CMO**
Omar Chughtai, CGO**
Ken King, CAO
Theresa Fuentes, CLO
Peter Goll, CAO, ECHMN
Mark Klein, CCMO
Tracey Lewis Taylor, COO
Shreyas Mallur, MD, CQO**
Deb Muro, CISO
Cheryl Reinking, CNO

Staff Present (cont.)

Shahab Dadjou, Strategic
Advisor, El Camino Health
Medical Network
Anne Yang, Executive Director,
Governance Services
Gabe Fernandez, Governance
Services Coordinator
Tracy Fowler, Director,
Governance Services**
Brian Richards, Information
Technology**

**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Board of Directors of El Camino Hospital (the "Board") was called to order at 5:33 p.m. Roll call was taken and Directors Doiguchi, Fung, Miller, and Po were absent. A quorum was present. Director Po joined the meeting at 5:49pm.	<i>The meeting was called to order at 5:33 p.m.</i> <i>ACTION: Staff to follow-up with AI summary of policies</i>
2. AB-2449 – REMOTE PARTICIPATION	No AB-2449 requests were received by the members of the Board.	
3. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Rebitzer asked the Board if any member had a conflict of interest with any items on the agenda. None were noted.	
4. PUBLIC COMMUNICATION	Chair Rebitzer invited the members of the public to address the Board. No members of the public were present and no written correspondence was received.	
5. MEDICAL STAFF VERBAL REPORT	Chair Rebitzer invited Dr. Mallur to provide the medical staff report on behalf of Dr. Xanthopoulos. The first highlight is an update on medical staff's request of Administration for a physician wellness center in Mountain View, which should be complete by year-end. There will also be one at the Los Gatos campus. The second highlight is that all ECH employees have access to Engage as an employee portal. There is currently not a similar portal for the physicians and medical staff. However, in partnership with Information Services, a medical staff portal is set to go live soon, as well. Dr. Somersille inquired about a physician retreat in planning? Dr. Mallur was not aware of one being planned. Director Ting was supportive of the portal.	

6. RECEIVE QUALITY COMMITTEE REPORT	<p>Chair Rebitzer invited Dr. Mallur to present highlights of the Quality Deep Dive report. Dr. Mallur highlighted that surgical site infections (SSIs) are incredibly complex. There are six ways to reduce the infections. 80% of infections are from the patient's own skin. So, optimizing pre-op practices are evidence based practices to decrease SSIs. Some factors are out of our control, e.g. obesity. Involving the surgeon by doing a debrief after each SSI was the biggest change in practice. Director Zoglin commented about ECH quality measures targeting top quartile vs top decile. Dr. Mallur commented that ECH cannot achieve top quartile without aspiring to be higher than that, and he assured the board that resources would be allocated to maintain progress across all quality measures. Director Ting asked what ECH is doing to get the 5th CMS star rating back. Dr. Mallur explained that one challenge was the documentation of flu vaccinations of staff. The second challenge is the CAUTI rate, which was a challenge in FY25. Based on the preview report this year, the CMS star rating looks favorable to gain the 5-star rating back. Chair Rebitzer asked about the underscreening rate on the STEEP Dashboard. Dr. Mallur mentioned that it is a reporting issue since we currently only have 1 month of data. Chair Rebitzer also asked about emergency department imaging turnaround time, and Dr. Mallur updated the board about transitioning to a new group for imaging. The effective date is January, so we expect to see results by Q2. Chair Rebitzer also asked about the mortality index which is unfavorable, but asked if the expectation is to become favorable for the year. Dr. Mallur confirmed that it is expected to become favorable for FY26.</p>	
7. RECESS TO CLOSED SESSION	<p>Motion: To recess to closed session at 5:58 p.m. Movant: Somersille Second: Ting Ayes: Chen, Po, Rebitzer, Somersille, Ting, Watters, Zoglin Nays: None Abstentions: None Absent: Doiguchi, Miller Recused: None</p>	<p><i>Recessed to closed session at 5:58 p.m.</i></p>
8. AGENDA ITEM 16: CLOSED SESSION REPORT OUT	<p>Chair Rebitzer reconvened the open session at 8:12 p.m., and Agenda Items 8-14 were addressed in the closed session.</p> <p>Mr. Fernandez reported that during the closed session, the Credentialing and Privileges Report and Closed Session Minutes were approved by a unanimous vote of all Directors present.</p>	<p><i>Reconvened Open Session at 8:12 p.m.</i></p>
9. AGENDA ITEM 17: CONSENT CALENDAR ITEMS	<p>Chair Rebitzer asked if any member of the Board wished to remove an item from the consent calendar for discussion.</p> <p>Motion: To approve the consent calendar Movant: Watters Second: Po Ayes: Chen, Po, Rebitzer, Somersille, Ting, Watters, Zoglin Nays: None Abstentions: None Absent: Doiguchi, Fung, Miller Recused: None</p>	<p><i>Consent calendar items were approved</i></p>

10. AGENDA ITEM 18: CEO REPORT	Mr. Woods highlighted the EBIDA was unfavorable to budget in July due to payor mix. For clinical services, the stroke center has received recertification from the Joint Commission as a primary stroke center. He also highlighted that there is a new feature for robotic surgery featuring a new tactile capability. The Foundation recorded \$600K in donations, including a \$500K endowment from a patient family for healing arts program (the music program which is highly appreciated by patients). The 29 th Annual Golf Heritage annual golf tournament will be held at Silver Creek Valley Country Club on October 20 th . He highlighted cancer surgeon Dr. Tran Ho's recognition as 40 Under 40 for Silicon Valley Business Journal. The Chinese Health Initiative continues to focus on diabetes prevention, and the South Asian Heart Center continues to provide prevention for heart disease. Auxiliary donated over 3700 hours in June. Director Ting asked about recognition for the Auxiliary.	ACTION: Staff to ensure recognition of Auxiliary during volunteer month in April.
11. AGENDA ITEM 19: BOARD ANNOUNCEMENTS	Chair Rebitzer thanked the Board and staff for the productive materials and meeting. Director Ting requested the group to look into Open Evidence. Ms. Lewis-Taylor mentioned that our ER doctors use the application in their diagnostic work. Director Ting commented that 43% of ER docs nationally use it, and there is a deficiency here.	ACTION: Ms. Lewis-Taylor will check on ER department use
12. AGENDA ITEM 20: ADJOURNMENT	<p>Motion: To adjourn at 8:19 p.m.</p> <p>Movant: Watters Second: Po Ayes: Chen, Po, Rebitzer, Somersille, Ting, Watters, Zoglin Nays: None Abstentions: None Absent: Doiguchi, Fung, Miller Recused: None</p>	Meeting adjourned at 8:19 p.m.

Attest as to the approval of the preceding minutes by the Board of Directors of El Camino Hospital:

John Zoglin, Secretary/Treasurer

Prepared by: Anne Yang, Executive Director, Governance Services

Reviewed by Legal: Theresa Fuentes, Chief Legal Officer, Tracy Fowler, Director, Governance Services



BOARD OF DIRECTORS

Document for Review

October 8, 2025

Department	Document Name*	Origin Date	Last Reviewed	Revised?	Doc Type	Document Details Approval Workflow
Nursing	Telemetry/Stroke Unit – Mountain View	3-1-12	8-17-22	Unchanged	Scope of Service	<ul style="list-style-type: none"> Unchanged
						Med Dir Dept Dir > ePolicy > MEC > Board

Board Policy Summary – Telemetry/Stroke Unit (Mountain View)

This policy defines the scope and standards of care for the **26-bed Telemetry/Stroke Unit** at El Camino Health – Mountain View, which provides specialized care for **adolescent through geriatric patients** requiring **cardiac monitoring**, as well as those admitted with **stroke, TIA, or related cardiac conditions**. It outlines patient eligibility, care coordination, staffing requirements, quality improvement processes, and adherence to **state regulations and Joint Commission standards**. There are **no changes in this review cycle**; the policy remains current and has been reviewed and approved by all required committees. Board approval is requested to maintain its active status.

*Note that the link to the policy or policies above is accessible on Boardvantage or available upon request.



**EL CAMINO HOSPITAL BOARD
FY2026 PACING PLAN / MASTER CALENDAR**

AGENDA ITEM	Q1			Q2			Q3			Q4		
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
APPROVALS AND CONSENT CALENDAR												
Board Minutes		✓	✓	✓	✓	✓		✓	✓		✓	✓
Committee Reports and Recommendations		✓	✓	✓	✓	✓		✓	✓		✓	✓
Community Benefit Plan												✓
Credentialing and Privileges Report		✓	✓	✓	✓	✓		✓	✓		✓	✓
Physician Agreements		✓	✓	✓	✓	✓		✓	✓		✓	✓
Policies		✓	✓	✓	✓	✓		✓	✓		✓	✓
FINANCE												
Audited Financial Report				✓								
Budget (Preview)											✓	
Budget Approval												✓
Period Financials (Consent)		✓	✓	✓	✓	✓		✓	✓		✓	✓
Quarterly Financials (Focus)					✓			✓			✓	
PHYSICIANS AND MEDICAL NETWORK												
ECHMN Report			✓								✓	
Medical Staff Report			✓		✓			✓			✓	
QUALITY												
Quality STEEEP Dashboard			✓		✓			✓			✓	
Quality Committee Report				✓					✓			
STRATEGY												
Los Gatos Redevelopment		✓	✓	✓	✓				✓		✓	
Strategic Plan Metrics (FY25)		✓	✓									
Strategic Plan Update (FY26)					✓			✓			✓	
Preliminary Strategy Implications (FY27)									✓			
Strategic Goals Preview (FY27)											✓	
Strategic Goals Approval (FY27)												✓
EXECUTIVE PERFORMANCE												
CEO Update (Year in Review)		✓										
CEO Assessment (Board Executive Session)				✓								
Organizational Performance Goal Score (Prior Year)				✓								
Executive Base Salaries and Salary Ranges				✓								
CEO Compensation				✓								
COMPLIANCE AND GOVERNANCE												
Annual Compliance Program Report Out -Annual Patient Safety and Claims/Liabilities Report (from CAC)					✓							
Enterprise Risk Management						✓						✓
Board Assessment Results				✓	✓							
Board Officer Elections (Even Years)												✓
Board Calendar									✓			
Committee Goals												✓



EL CAMINO HOSPITAL BOARD OF DIRECTORS BOARD MEETING MEMO

To: El Camino Hospital Board
From: Carlos A. Bohorquez, Chief Financial Officer
Date: October 8, 2025
Subject: Financials: FY2026 – Period 2 & YTD (as of 08/31/2025) - Consent Calendar

Purpose:

To provide the Board an update on the financial results for FY2026 Period 2 (August 2025) & YTD.

Executive Summary – Period 2 (August 2025):

Patient activity / volumes remain consistent across the enterprise.

- **Average Daily Census:** 294 is 2 / 0.6% unfavorable to budget and 1 / 0.4% lower than the same period last year.
- **Adjusted Discharges:** 3,869 were 91 / 2.4% favorable to budget and 165 / 4.5% higher than the same period last year.
- **Emergency Room Visits:** 6,011 were 587 / 10.8% favorable to budget and 545 / 10.0% higher than the same period last fiscal year.
- **Outpatient Visits / Procedures:** 13,820 are 601 / 4.5% favorable to budget and 1,212 / 9.6% higher than the same period last fiscal year.

Financial performance for Period 2 was favorable to budget. This is attributed to strong outpatient / procedural volume and favorable payor mix.

Total Operating Revenue (\$):	\$151.0M is \$1.3M / 0.9% favorable to budget and \$12.0M / 8.6% higher than the same period last fiscal year.
Operating EBIDA (\$):	\$22.1M is \$1.5M / 7.4% favorable to budget and \$2.2M / 11.2% higher than the same period last fiscal year.
Net Income (\$):	\$24.2M is \$6.9M / 40.0% favorable to budget, but \$13.3M / 35.5% lower than the same period last fiscal year.
Operating Margin (%):	8.9% (actual) vs. 7.8% (budget)
Operating EBIDA Margin (%):	14.6% (actual) vs. 13.7% (budget)
Net Days in A/R (days):	53.7 days are favorable to budget by 0.3 days / 0.6% and 0.6 days / 1.0% better than the same period last year.

Executive Summary – YTD FY2026 (as of 8/31/2025):

With the exception of outpatient visits / procedures and surgeries, year-over-year patient activity is stable.

- **Average Daily Census:** 299 is 5 / 1.7% favorable to budget and 7 / 2.5% higher than the same period last year.
- **Adjusted Discharges:** 7,887 are 415 / 5.6% favorable to budget and 641 / 8.8% higher than the same period last year.
- **Emergency Room Visits:** 13,861 are 526 / 3.9% favorable to budget and 833 / 6.4% higher than the same period last fiscal year.

Financials FY2026 – Period 2 & YTD (as of 08/31/2025)
October 8, 2025

- **Outpatient Visits / Procedures:** 28,372 are 2,300 / 8.8% favorable to budget and 3,483 / 14.0% higher than the same period last fiscal year.

Total Operating Revenue (\$): \$298.8M is \$1.4M / 0.5% favorable to budget and \$25.7M / 9.4% higher than the same period last fiscal year.

Operating EBIDA (\$): \$41.1M is consistent with budget and \$2.4M / 6.3% higher than the same period last fiscal year.

Net Income (\$): \$50.0M is \$17.5M / 53.8% favorable to budget, but \$18.2M / 26.7% lower than the same period last fiscal year. Favorable net income is attributed stable financial performance and unrealized gains on investment portfolio.

Operating Margin (%): 8.2% (actual) vs. 7.9% (budget)

Operating EBIDA Margin (%): 13.8% (actual) vs. 13.8% (budget)

Recommendation:

- Recommend Board approval of FY2026 – Period 2 & YTD financials

List of Attachments:

- Financial Report: FY2026 Period 2

Suggested Board Discussion Questions:

- None



Summary of Financial Operations

*Fiscal Year 2026 – Period 2
7/1/2025 to 08/31/2025*

*Please Note: FY2026 Period 2 / YTD results are pending review
& approval by the Finance Committee*

Operational / Financial Results: Period 2 – August 2025 (as of 08/31/2025)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's 'Aa3'	S&P 'AA'	Fitch 'AA'	Performance to Rating Agency Medians
Activity / Volume	ADC	294	296	(2)	(0.6%)	295	(1)	(0.4%)	---	---	---	---
	Adjusted Discharges	3,869	3,778	91	2.4%	3,704	165	4.5%	---	---	---	---
	OP Visits / OP Procedural Cases	13,820	13,219	601	4.5%	12,608	1,212	9.6%	---	---	---	---
	Percent Government (%)	59.4%	58.6%	0.8%	1.4%	58.8%	0.6%	1.0%	---	---	---	---
	Gross Charges (\$)	658,540	651,648	6,892	1.1%	598,024	60,516	10.1%	---	---	---	---
Operations	Cost Per CMI AD	22,819	21,724	1,095	5.0%	20,304	2,515	12.4%	---	---	---	---
	Net Days in A/R	53.7	54.0	(0.3)	(0.6%)	54.3	(0.6)	(1.0%)	47.5	49.7	47.8	
Financial Performance	Net Patient Revenue (\$)	144,539	144,028	511	0.4%	133,648	10,892	8.1%	363,045	669,435	---	
	Total Operating Revenue (\$)	151,037	149,714	1,323	0.9%	139,079	11,957	8.6%	428,467	697,582	368,408	
	Operating Margin (\$)	13,381	11,713	1,668	14.2%	11,396	1,985	17.4%	8,569	24,415	12,526	
	Operating EBIDA (\$)	22,060	20,541	1,520	7.4%	19,834	2,226	11.2%	24,851	56,504	31,315	
	Net Income (\$)	24,150	17,252	6,898	40.0%	37,446	(13,296)	(35.5%)	23,566	54,411	20,631	
	Operating Margin (%)	8.9%	7.8%	1.0%	13.2%	8.2%	0.7%	8.1%	2.0%	3.5%	3.4%	
	Operating EBIDA (%)	14.6%	13.7%	0.9%	6.5%	14.3%	0.3%	2.4%	5.8%	8.1%	8.5%	
	DCOH (days)	317	275	42	15.1%	279	38	13.6%	258	315	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2025. Dollar amounts have been adjusted to reflect monthly averages.

S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 2025. Dollar amounts have been adjusted to reflect monthly averages.

Fitch Ratings: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; July 2025. Dollar amounts have been adjusted to reflect monthly averages.

Notes: DCOH total includes cash, short-term and long-term investments.

OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

Operational / Financial Results: YTD FY2026 (as of 08/31/2025)

(\$ thousands)		Current Year	Budget	Variance to Budget	Performance to Budget	Prior Year	Year over Year change	YoY % Change	Moody's	S&P	Fitch	Performance to Rating Agency Medians
									'Aa3'	'AA'	'AA'	
Activity / Volume	ADC	299	294	5	1.7%	291	7	2.5%	---	---	---	---
	Adjusted Discharges	7,887	7,472	415	5.6%	7,247	641	8.8%	---	---	---	---
	OP Visits / OP Procedural Cases	28,372	26,072	2,300	8.8%	24,889	3,483	14.0%	---	---	---	---
	Percent Government (%)	60.2%	58.6%	1.7%	2.8%	58.2%	2.0%	3.5%	---	---	---	---
	Gross Charges (\$)	1,328,907	1,270,005	58,902	4.6%	1,159,922	168,985	14.6%	---	---	---	---
Operations	Cost Per CMI AD	22,982	21,724	1,259	5.8%	20,387	2,596	12.7%	---	---	---	---
	Net Days in A/R	53.7	54.0	(0.3)	(0.6%)	54.3	(0.6)	(1.0%)	47.5	47.4	47.8	
Financial Performance	Net Patient Revenue (\$)	285,686	285,945	(259)	(0.1%)	262,124	23,562	9.0%	726,090	1,338,870	---	
	Total Operating Revenue (\$)	298,764	297,319	1,445	0.5%	273,091	25,673	9.4%	856,935	1,395,163	736,817	
	Operating Margin (\$)	24,418	23,392	1,026	4.4%	21,753	2,666	12.3%	17,139	48,831	25,052	
	Operating EBIDA (\$)	41,084	41,073	11	0.0%	38,638	2,445	6.3%	49,702	113,008	62,629	
	Net Income (\$)	50,004	32,514	17,490	53.8%	68,201	(18,198)	(26.7%)	47,131	108,823	41,262	
	Operating Margin (%)	8.2%	7.9%	0.3%	3.9%	8.0%	0.2%	2.6%	2.0%	3.5%	3.4%	
	Operating EBIDA (%)	13.8%	13.8%	(0.1%)	(0.5%)	14.1%	(0.4%)	(2.8%)	5.8%	8.1%	8.5%	
	DCOH (days)	317	275	42	15.1%	279	38	13.6%	258	315	311	

Moody's Medians: Not-for-profit and public healthcare annual report; August 2025. Dollar amounts have been adjusted to reflect monthly averages.

S&P Medians: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios; August 2025. Dollar amounts have been adjusted to reflect monthly averages.

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Notes: DCOH total includes cash, short-term and long-term investments.

OP Visits / Procedural Cases includes Covid Vaccinations / Testing.

Unfavorable Variance < 3.49%

Unfavorable Variance 3.50% - 6.49%

Unfavorable Variance > 6.50%

Consolidated Balance Sheet (as of 08/31/2025)

(\$000s)

ASSETS

	August 31, 2025	Unaudited June 30, 2025
CURRENT ASSETS		
Cash	423,657	407,140
Short Term Investments	104,331	98,926
Patient Accounts Receivable, net	248,750	240,895
Other Accounts and Notes Receivable	23,773	23,615
Intercompany Receivables	26,991	23,136
Inventories and Prepaids	52,461	54,047
Total Current Assets	879,964	847,759
BOARD DESIGNATED ASSETS		
Foundation Board Designated	18,455	18,467
Plant & Equipment Fund	542,149	541,377
Women's Hospital Expansion	59,456	45,895
Operational Reserve Fund	210,693	210,693
Community Benefit Fund	17,280	17,476
Workers Compensation Reserve Fund	12,374	13,086
Postretirement Health/Life Reserve Fund	22,028	23,009
PTO Liability Fund	43,192	41,558
Malpractice Reserve Fund	1,713	1,713
Catastrophic Reserves Fund	44,152	41,019
Total Board Designated Assets	971,492	954,294
FUNDS HELD BY TRUSTEE	-	-
LONG TERM INVESTMENTS	768,823	753,548
CHARITABLE GIFT ANNUITY INVESTMENTS	1,311	1,279
INVESTMENTS IN AFFILIATES	51,400	51,293
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	2,090,164	2,067,886
Less: Accumulated Depreciation	(973,565)	(959,828)
Construction in Progress	235,474	228,708
Property, Plant & Equipment - Net	1,352,073	1,336,766
DEFERRED OUTFLOWS	41,104	41,289
RESTRICTED ASSETS	36,856	50,154
OTHER ASSETS	209,289	204,109
TOTAL ASSETS	4,312,310	4,240,492

LIABILITIES AND FUND BALANCE

	August 31, 2025	Unaudited June 30, 2025
CURRENT LIABILITIES		
Accounts Payable	62,863	77,103
Salaries and Related Liabilities	59,304	39,837
Accrued PTO	73,401	71,612
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	9,083	8,509
Intercompany Payables	22,640	18,745
Malpractice Reserves	1,713	1,713
Bonds Payable - Current	15,615	15,615
Bond Interest Payable	1,868	5,651
Other Liabilities	20,295	17,992
Total Current Liabilities	269,082	259,076
LONG TERM LIABILITIES		
Post Retirement Benefits	22,028	22,028
Worker's Comp Reserve	12,374	12,374
Other L/T Obligation (Asbestos)	25,668	25,939
Bond Payable	525,781	524,470
Total Long Term Liabilities	585,850	584,811
DEFERRED REVENUE-UNRESTRICTED	1,786	1,538
DEFERRED INFLOW OF RESOURCES	88,430	84,379
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	3,066,621	3,020,914
Minority Interest	-	-
Board Designated	236,247	225,482
Restricted	64,293	64,292
Total Fund Bal & Capital Accts	3,367,161	3,310,689
TOTAL LIABILITIES AND FUND BALANCE	4,312,310	4,240,492



EL CAMINO HOSPITAL BOARD OF DIRECTORS

CEO REPORT | October 8, 2025

This report highlights key developments, achievements, and organizational performance updates through August 2025.

FINANCIALS

FY2026 - Period 2 (August 2025)

- **Total Operating Revenue: \$151.0MM**
 - \$1.3MM / 0.9% vs. favorable to budget
 - \$12.0MM / 8.6% higher than the same period last year
- **Operating EBIDA: \$22.1MM**
 - \$1.5MM / 7.4% vs. favorable to budget
 - \$2.2MM / 11.2% higher than the same period last year
- **Net Income: \$24.2MM**
 - \$6.9MM / 40.0% vs. favorable to budget
 - \$13.3MM / 35.5% lower than the same period last year

FY2026 – YTD as of 8/31/2025

- **Total Operating Revenue: \$298.8MM**
 - \$1.4MM / 0.5% vs. favorable to budget
 - \$25.7MM / 9.4% higher than the same period last year
- **Operating EBIDA: \$41.1MM**
 - Operating EBIDA is consistent with Budget
 - \$2.4MM / 6.3% higher than the same period last year
- **Net Income: \$50.0MM**
 - \$17.5MM / 53.8% vs. favorable to budget
 - \$18.2MM / 26.7% lower than the same period last year

CLINICAL SERVICES

El Camino Health continues to expand and enhance specialized care offerings through clinical excellence, advanced technology, and nationally recognized quality programs.

Women's and Newborn Services hosted a well-attended **Women's Health Fair** on **September 20**, bringing together **27 physician experts** and nearly **400 community participants** to showcase a wide range of women's health specialties.

Additionally, the **California Maternal Quality Care Collaborative** recognized El Camino Health for its **Outstanding Contributions to Improving OB Sepsis**, a testament to the organization's leadership in applying evidence-based standards to reduce one of the leading causes of maternal mortality.

FOUNDATION

The El Camino Health Foundation raised **\$294,465 in August**, bringing the **FY2026 fundraising total to \$956,147**, which represents **10% of the annual goal**. Preparations are underway for the **29th Annual El Camino Heritage Golf Tournament** on **October 20, 2025**, themed *California Dreamin'*. Sponsorships and the player field are nearing capacity, putting the event ahead of last year's pace toward its **\$340,000 gross revenue goal**.



MARKETING

In September 2025, El Camino Health's marketing and communications team achieved significant milestones. The team supported the **launch of Health Matters, a new Chinese-language medical TV series on KTSF Channel 26**, produced in partnership with El Camino Health. The unique, 13-episode series, hosted by Christina London and Dr. Peter Fung, **highlights our clinical expertise and innovation, while reinforcing our reputation for high-quality care and fosters meaningful relationships with an underserved population**. Preliminary viewer data indicates Health Matters is **one of the highest rated shows on KTSF**.

El Camino Health received positive media coverage in key outlets, including **recognition by the Silicon Valley Business Journal with a Structures award for major updates and improvements to the Orchard Pavilion**. Internally, **communications supported the successful migration of the Engage intranet platform from Salesforce to AWS**. The team also advanced inclusion and wellness initiatives and maintained strong open and engagement rates for employee and physician newsletters.

CORPORATE HEALTH SERVICES

El Camino Health continues to broaden its preventive health and wellness offerings for employees, community members, and partner organizations. A **new peer support program** was launched to train employees to recognize colleagues who may be struggling and connect them with appropriate support resources. The **Chinese Health Initiative (CHI)** continued its monthly Mandarin wellness webinar series and educational events on topics such as vegetarian nutrition, child nutrition, and reading food labels. The **South Asian Heart Center** engaged **334 participants** in screening, education, and coaching programs to prevent heart disease and diabetes, delivering **675 consultations** and hosting **12 lifestyle workshops** focused on cardiovascular risk reduction.

ACCOLADES AND RECOGNITION

El Camino Health was named one of the **Healthiest Employers in Northern California 2025**, ranking **4th among midsize organizations**. This award honors people-first organizations that prioritize the well-being of their workforce, reflecting El Camino Health's deep commitment to fostering a healthy, supportive workplace culture.

AUXILIARY

In August, Auxiliary members contributed **4,530 volunteer hours** across the Mountain View and Los Gatos campuses. Cumulative hours since the Auxiliary's inception now exceed 6.2 million.