Board of Directors
Mendocino Coast Health Care District
doing business as Mendocino Coast District Hospital
Fort Bragg, California

We have audited the financial statements of Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital (the District) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 19, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the allowance for uncollectible patient accounts and contractual adjustments is based on experience, third-party collection history, and analysis of the collectibility of the individual accounts.
- Management's estimate for third-party settlements is based on interim payments, District expenses, patient revenues, and patient statistical data.
- Management's estimate of the amount payable to Adventist Health is based on information provided by a third-party analysis of cash transactions.
- Management's estimate of CARES Act Provider Relief Fund is based on COVID-19 attributable expenses and lost revenues.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The completion of the audit was delayed because a reconciled trial balance, supporting schedules, and other information was not gathered on a timely basis.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were:

- Allowance for contractual adjustments and bad debts, patient accounts receivable, third-party settlements, Medicaid supplemental payments, long term debt balances, cash balances, payable to Adventist Health, and revenue bond activity.
- Multiple other auditor-detected journal entries that were not individually significant, but that are cumulatively significant were also recorded in all other account balances.

Management has determined that the exclusion of the Mendocino Coast Healthcare Foundation (the Foundation) from the financial statements is immaterial to the financial statements taken as a whole. The Foundation's total assets for the year ended December 31, 2019, were approximately $2,979,000.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the Schedule of Expenditures of Federal Awards, which is supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Mendocino Coast Health Care District doing business as Mendocino Coast District Hospital and is not intended to be, and should not be, used by anyone other than these specified parties.

DZA PLLC

Spokane Valley, Washington
March 23, 2026