

APPENDIX 2

**Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2025 through April 30, 2026**

The April 30, 2026, financial statements of the California Prison Health Care Receivership Corp (CPR) are presented in compliance with the measurement focus, basis of accounting and financial presentation set forth by the Government Accounting Standards Board (GASB), and include a Statement of Net Assets and General Fund Balance (Balance Sheet) and a Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance (Revenues and Expenses). In lieu of comparing net asset and operating activities to prior period amounts, operating activities are compared to budget.

A review of expenses included on the unaudited statement of activities compared to what was budgeted for the ten months ended April 30, 2026, shows a total difference of \$2,824,569 or 51.1% variance under budget. Two line items or activities account for the majority of the difference. Professional fees were \$2,675,589 or 57.2% under budget and Salaries and Benefits were \$122,644 or 15% under budget.

No Capital assets have been purchased during the first ten months of the Fiscal year.

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the ten months ended
April 30, 2026

	General Fund	Adjustments	Government Wide
Assets			
Current assets:			
Cash	\$224,913	\$ -	\$ 224,913
Due From Special Deposit Fund	\$0		\$0
Prepaid items	\$8,570	-	8,570
	233,483	-	233,483
Noncurrent assets:			
Deposits with others	0	-	-
Capital assets, net	-	\$0	-
	-	-	-
Total assets	\$ 233,483	-	\$ 233,483
Liabilities			
Current liabilities:			
Accounts payable	8,780	-	8,780
Accrued salaries and benefits	32,743	-	32,743
Other accrued expenses	81,851		81,851
Compensated absences , current	0	\$36,541	36,541
	-	-	-
Total current liabilities	\$ 123,374	\$ 36,541	\$ 159,915
Long-term liabilities:			
Compensated absences , long-term		41,006	41,006
		41,006	41,006
Total liabilities	\$ 123,374	\$ 77,547	\$ 200,921
Fund Balance/Net Position			
Fund balance:			
Reserved for prepaid items and deposits with others	8,570	(8,570)	-
Unreserved, undesignated	- 101,539	(101,539)	-
	110,109	(110,109)	-
Total fund balance	110,109	(110,109)	-
Total liabilities and fund balance	\$ 233,483		
Net Position:			
Unrestricted		32,560	32,560
Total Net Position		\$ 32,560	\$ 32,560

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
 For the ten months ended
 April 30, 2026

	General Fund	Adjustments	Government Wide
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,700,000	-	\$ 2,700,000
General revenues:			
Investment earnings	4	-	4
Miscellaneous Income	0	-	-
	2,700,004	-	2,700,004
Total Revenues			
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	688,576	(24,951)	663,625
Legal and professional services	1,976,621	-	1,976,621
Travel	18,022	-	18,022
Insurance	17,517	-	17,517
Other	5,296	-	5,296
	-	-	-
Total Expenditures/Expenses	2,706,031	(24,951)	2,681,080
Change in fund balance/net position	(6,027)	24,951	18,924
Fund balance/net position - July 1, 2025	116,134	(\$102,498)	13,636
Fund balance/net position - April 30, 2026	\$ 110,107	\$ (77,547)	\$ 32,560

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the ten months ended
April 30, 2026

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$5,530,600	\$2,700,000	\$ (2,830,600)
Investment earnings	\$0	\$4	4
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$5,530,600</u>	<u>\$2,700,004</u>	<u>(2,830,596)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	811,220	688,576	122,644
Legal and professional services	4,652,210	1,976,621	2,675,589
Travel	30,000	18,022	11,978
Office expenses	2,000	1,004	996
Insurance	19,170	17,517	1,653
Other	16,000	\$4,292	11,708
Capital outlay	-	-	-
Total expenditures	<u>5,530,600</u>	<u>2,706,031</u>	<u>2,824,569</u>
Change in fund balance	<u>\$ -</u>	<u>(6,027)</u>	<u>\$ (6,027)</u>
Fund balance - July 1, 2025		<u>116,134</u>	
Fund balance April 30, 2026		<u>\$ 110,107</u>	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the nine months ended
March 31, 2026

	General Fund	Adjustments	Government Wide
Assets			
Current assets:			
Cash	\$173,739	\$ -	\$ 173,739
Due From Special Deposit Fund	\$0		\$0
Prepaid items	\$10,322	-	10,322
	184,061	-	184,061
Noncurrent assets:			
Deposits with others	0	-	-
Capital assets, net	-	\$0	-
	-	-	-
Total assets	\$ 184,061	-	\$ 184,061
Liabilities			
Current liabilities:			
Accounts payable	99,841	-	99,841
Accrued salaries and benefits	32,743	-	32,743
Other accrued expenses	(9,990)		(9,990)
Compensated absences , current	0	\$48,739	48,739
	-	-	-
Total current liabilities	\$ 122,594	\$ 48,739	\$ 171,333
Long-term liabilities:			
Compensated absences , long-term		17,847	17,847
	-	-	-
Total liabilities	\$ 122,594	\$ 66,586	\$ 189,180
Fund Balance/Net Position			
Fund balance:			
Reserved for prepaid items and deposits with others	10,322	(10,322)	-
Unreserved, undesignated	51,146	(51,146)	-
	-	-	-
Total fund balance	61,468	(61,468)	-
Total liabilities and fund balance	\$ 184,061		
Net Position:			
Unrestricted		(5,123)	(5,123)
	-	-	-
Total Net Position		\$ (5,123)	\$ (5,123)

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the nine months ended
March 31, 2026

	General Fund	Adjustments	Government Wide
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,500,000	-	\$ 2,500,000
General revenues:			
Investment earnings	0	-	-
Miscellaneous Income	0	-	-
Total Revenues	2,500,000	-	2,500,000
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	639,045	(35,912)	603,133
Legal and professional services	1,878,610	-	1,878,610
Travel	16,431	-	16,431
Insurance	15,765	-	15,765
Other	4,820	-	4,820
	-	-	-
Total Expenditures/Expenses	2,554,671	(35,912)	2,518,759
Change in fund balance/net position	(54,671)	35,912	(18,759)
Fund balance/net position - July 1, 2025	116,134	(\$102,498)	13,636
Fund balance/net position - March 31, 2026	\$ 61,463	\$ (66,586)	\$ (5,123)

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the nine months ended
March 31, 2026

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$4,977,540	\$2,500,000	\$ (2,477,540)
Investment earnings	\$0	\$0	-
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$4,977,540</u>	<u>\$2,500,000</u>	<u>(2,477,540)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	730,098	639,045	91,053
Legal and professional services	4,186,989	1,878,610	2,308,379
Travel	27,000	16,431	10,569
Office expenses	1,800	816	984
Insurance	17,253	15,765	1,488
Other	14,400	\$4,004	10,396
Capital outlay	-	-	-
Total expenditures	<u>4,977,540</u>	<u>2,554,671</u>	<u>2,422,869</u>
Change in fund balance	<u>\$ -</u>	(54,671)	\$ (54,671)
Fund balance - July 1, 2025		<u>116,134</u>	
Fund balance March 31, 2026		<u>\$ 61,463</u>	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eight months ended
February 28, 2026

	General Fund	Adjustments	Government Wide
Assets			
Current assets:			
Cash	\$228,706	\$ -	\$ 228,706
Due From Special Deposit Fund	\$0		\$0
Prepaid items	\$12,073	-	12,073
	240,779	-	240,779
Noncurrent assets:			
Deposits with others	0	-	-
Capital assets, net	-	\$0	-
	-	-	-
Total assets	\$ 240,779	-	\$ 240,779
Liabilities			
Current liabilities:			
Accounts payable	158,617	-	158,617
Accrued salaries and benefits	32,743	-	32,743
Other accrued expenses	13,546		13,546
Compensated absences , current	0	\$48,739	48,739
	-	-	-
Total current liabilities	\$ 204,906	\$ 48,739	\$ 253,645
Long-term liabilities:			
Compensated absences , long-term		17,847	17,847
	-	-	-
Total liabilities	\$ 204,906	\$ 66,586	\$ 271,492
Fund Balance/Net Position			
Fund balance:			
Reserved for prepaid items and deposits with others	12,073	(12,073)	-
Unreserved, undesignated	- 23,800	(23,800)	-
	-	-	-
Total fund balance	35,873	(35,873)	-
Total liabilities and fund balance	\$ 240,779		
Net Position:			
Unrestricted		(30,718)	(30,718)
Total Net Position		\$ (30,718)	\$ (30,718)

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eight months ended
February 28, 2026

	General Fund	Adjustments	Government Wide
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,300,000	-	\$ 2,300,000
General revenues:			
Investment earnings	0	-	-
Miscellaneous Income	0	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	2,300,000	-	2,300,000
	<u> </u>	<u> </u>	<u> </u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	594,093	(35,912)	558,181
Legal and professional services	1,754,198	-	1,754,198
Travel	13,582	-	13,582
Insurance	14,013	-	14,013
Other	4,379	-	4,379
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures/Expenses	2,380,266	(35,912)	2,344,354
	<u> </u>	<u> </u>	<u> </u>
Change in fund balance/net position	(80,266)	35,912	(44,354)
	<u> </u>	<u> </u>	<u> </u>
Fund balance/net position - July 1, 2025	116,134	(\$102,498)	13,636
	<u> </u>	<u> </u>	<u> </u>
Fund balance/net position - February 28, 2026	<u>\$ 35,868</u>	<u>\$ (66,586)</u>	<u>\$ (30,718)</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the eight months ended
February 28, 2026

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$4,424,480	\$2,300,000	\$ (2,124,480)
Investment earnings	\$0	\$0	-
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$4,424,480</u>	<u>\$2,300,000</u>	<u>(2,124,480)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	648,976	594,093	54,883
Legal and professional services	3,721,768	1,754,198	1,967,570
Travel	24,000	13,582	10,418
Office expenses	1,600	816	784
Insurance	15,336	14,013	1,323
Other	12,800	\$3,564	9,237
Capital outlay	-	-	-
Total expenditures	<u>4,424,480</u>	<u>2,380,266</u>	<u>2,044,214</u>
Change in fund balance	<u>\$ -</u>	<u>(80,266)</u>	<u>\$ (80,266)</u>
Fund balance - July 1, 2025		<u>116,134</u>	
Fund balance February 28, 2026		<u>\$ 35,868</u>	

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the seven months ended
January 31, 2026

	General Fund	Adjustments	Government Wide
Assets			
Current assets:			
Cash	\$367,846	\$ -	\$ 367,846
Due From Special Deposit Fund	\$0		\$0
Prepaid items	\$13,825	-	13,825
	381,671	-	381,671
Noncurrent assets:			
Deposits with others	0	-	-
Capital assets, net	-	\$0	-
	-	\$0	-
Total assets	\$ 381,671	-	\$ 381,671
Liabilities			
Current liabilities:			
Accounts payable	697,777	-	697,777
Accrued salaries and benefits	32,743	-	32,743
Other accrued expenses	11,751		11,751
Compensated absences , current	0	\$48,739	48,739
	-	\$48,739	48,739
Total current liabilities	\$ 742,271	\$ 48,739	\$ 791,010
Long-term liabilities:			
Compensated absences , long-term		17,847	17,847
Total liabilities	\$ 742,271	\$ 66,586	\$ 808,857
Fund Balance/Net Position			
Fund balance:			
Reserved for prepaid items and deposits with others	13,825	(13,825)	-
Unreserved, undesignated	(374,425)	374,425	-
	-	374,425	-
Total fund balance	(360,600)	360,600	-
Total liabilities and fund balance	\$ 381,671		
Net Position:			
Unrestricted		(427,189)	(427,189)
Total Net Position		\$ (427,189)	\$ (427,189)

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the seven months ended
January 31, 2026

	General Fund	Adjustments	Government Wide
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 1,750,000	-	\$ 1,750,000
General revenues:			
Investment earnings	0	-	-
Miscellaneous Income	<u>0</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,750,000</u>	<u>-</u>	<u>1,750,000</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	547,099	(35,912)	511,187
Legal and professional services	1,651,984	-	1,651,984
Travel	11,404	-	11,404
Insurance	12,262	-	12,262
Other	3,987	-	3,987
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures/Expenses	<u>2,226,737</u>	<u>(35,912)</u>	<u>2,190,825</u>
Change in fund balance/net position	(476,737)	35,912	(440,825)
Fund balance/net position - July 1, 2025	<u>116,134</u>	<u>(\$102,498)</u>	<u>13,636</u>
Fund balance/net position - January 31, 2026	<u>\$ (360,603)</u>	<u>\$ (66,586)</u>	<u>\$ (427,189)</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
 Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
 For the seven months ended
 January 31, 2026

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance between Final Budget and Actual</u>
Revenues:			
State of California appropriation to Receivership	\$3,871,420	\$1,750,000	\$ (2,121,420)
Investment earnings	\$0	\$0	-
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$3,871,420</u>	<u>\$1,750,000</u>	<u>(2,121,420)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	567,854	547,099	20,755
Legal and professional services	3,256,547	1,651,984	1,604,563
Travel	21,000	11,404	9,596
Office expenses	1,400	727	673
Insurance	13,419	12,262	1,157
Other	11,200	\$3,260	7,940
Capital outlay	-	-	-
Total expenditures	<u>3,871,420</u>	<u>2,226,737</u>	<u>1,644,683</u>
Change in fund balance	<u>\$ -</u>	(476,737)	\$ (476,737)
Fund balance - July 1, 2025		<u>116,134</u>	
Fund balance January 31, 2026		<u>\$ (360,603)</u>	