

APPENDIX 2

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2026 through August 31, 2026

The August 31, 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 in the unaudited statement of activities compared with the budget for the two months ended August 31, 2026, shows total expenses were \$20,226, or 6.1%, under budget. One line item accounted for most of the variance: professional fees, which were \$16,941, or 7.7%, under budget.

No Capital assets have been purchased during the Fiscal year.

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

	General Fund	Adjustments
Assets		
Current assets:		
Cash	\$189,407	\$ -
Due From Special Deposit Fund	\$0	
Prepaid items	\$22,583	-
	<u>211,990</u>	<u>-</u>
Noncurrent assets:		
Deposits with others	0	-
Capital assets, net	-	\$0
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 211,990</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	2,703	-
Accrued salaries and benefits	21,257	-
Other accrued expenses	96,407	
Compensated absences , current	0	\$39,824
	<u>120,367</u>	<u>39,824</u>
Total current liabilities	<u>\$ 120,367</u>	<u>\$ 39,824</u>
Long-term liabilities:		
Compensated absences , long-term		16,420
	<u>120,367</u>	<u>56,244</u>
Total liabilities	<u>\$ 120,367</u>	<u>\$ 56,244</u>
Fund balance		
Fund balance:		
Reserved for prepaid items and deposits with others	22,583	(22,583)
Unreserved, undesignated	69,040	(69,040)
	<u>91,623</u>	<u>(91,623)</u>
Total fund balance	<u>91,623</u>	<u>(91,623)</u>
Total liabilities and fund balance	<u>\$ 211,990</u>	
Net Position:		
Unrestricted		34,564
Total Net Position		<u>\$ 34,564</u>

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

	General Fund	Adjustments	Government Wide
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 200,000	-	\$ 200,000
General revenues:			
Investment earnings	0	-	-
Miscellaneous Income	0	-	-
Total Revenues	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	100,209	-	100,209
Legal and professional services	202,265	-	202,265
Travel	2,417	-	2,417
Insurance	3,503	-	3,503
Other	1,504	-	1,504
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures/Expenses	<u>309,898</u>	<u>-</u>	<u>309,898</u>
Change in fund balance/net position	(109,898)	-	(109,898)
Fund balance/net position - July 1, 2026	<u>200,706</u>	<u>(\$56,244)</u>	<u>144,462</u>
Fund balance/net position -August 31, 2026	<u>\$ 90,808</u>	<u>\$ (56,244)</u>	<u>\$ 34,564</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the two months ended
August 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	\$330,124	\$200,000	\$ (130,124)
Investment earnings	\$0	\$0	-
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$330,124</u>	<u>\$200,000</u>	<u>(130,124)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	99,234	100,209	(975)
Legal and professional services	219,206	202,265	16,941
Travel	4,500	2,417	2,083
Office expenses	550	231	319
Insurance	3,834	3,503	331
Other	2,800	\$1,273	1,527
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>330,124</u>	<u>309,898</u>	<u>20,226</u>
Change in fund balance	<u>\$ -</u>	(109,898)	\$ (109,898)

Fund balance - July 1, 2026	<u>200,706</u>
Fund balance August 31, 2026	<u>\$ 90,808</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 2026

	General Fund	Adjustments
Assets		
Current assets:		
Cash	\$158,823	\$ -
Due From Special Deposit Fund	\$0	
Prepaid items	\$1,975	-
	<u>160,798</u>	<u>-</u>
Noncurrent assets:		
Deposits with others	0	-
Capital assets, net	-	\$0
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 160,798</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	96,484	-
Accrued salaries and benefits	21,257	-
Other accrued expenses	5,138	
Compensated absences , current	0	\$39,824
	<u>\$ 122,879</u>	<u>\$ 39,824</u>
Long-term liabilities:		
Compensated absences , long-term		16,420
Total liabilities	<u>\$ 122,879</u>	<u>\$ 56,244</u>
Fund balance		
Fund balance:		
Reserved for prepaid items and deposits with others	1,975	(1,975)
Unreserved, undesignated	- 35,944	(35,944)
	<u>37,919</u>	<u>(37,919)</u>
Total fund balance	<u>37,919</u>	<u>(37,919)</u>
Total liabilities and fund balance	<u>\$ 160,798</u>	
Net Position:		
Unrestricted		<u>(19,140)</u>
Total Net Position		<u>\$ (19,140)</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 31, 2026

	General Fund	Adjustments	Government Wide
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ -	-	\$ -
General revenues:			
Investment earnings	0	-	-
Miscellaneous Income	0	-	-
	<u>0</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>0</u>	<u>-</u>	<u>0</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	49,540	-	49,540
Legal and professional services	110,554	-	110,554
Travel	1,278	-	1,278
Insurance	1,752	-	1,752
Other	479	-	479
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures/Expenses	<u>163,602</u>	<u>-</u>	<u>163,602</u>
Change in fund balance/net position	(163,602)	-	(163,602)
Fund balance/net position - July 1, 2026	<u>200,706</u>	<u>(\$56,244)</u>	<u>144,462</u>
Fund balance/net position -July 31, 2026	<u>\$ 37,104</u>	<u>\$ (56,244)</u>	<u>\$ (19,140)</u>

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance
For the one month ended
July 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	\$164,987	\$0	\$ (164,987)
Investment earnings	\$0	\$0	-
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$164,987</u>	<u>\$0</u>	<u>(164,987)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	49,617	49,540	77
Legal and professional services	109,603	110,554	(951)
Travel	2,250	1,278	972
Office expenses	200	112	88
Insurance	1,917	1,752	165
Other	1,400	\$367	1,033
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>164,987</u>	<u>163,602</u>	<u>1,385</u>
Change in fund balance	<u>\$ -</u>	(163,602)	\$ (163,602)

Fund balance - July 1, 2026

200,706

Fund balance July 31, 2026

\$ 37,104

CALIFORNIA HEALTH CARE RECEIVERSHIP CORPORATION
Discussion and Analysis of Unaudited Financial Statements
For the Period July 1, 2025 through June 30, 2026

The June 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 in the unaudited statement of activities against the budget for the twelve months ended June 30, 2026, shows total spending was \$3,621,288, or 54.6%, below budget. The variance was primarily driven by Legal and Professional Services, which were \$3,405,051, or 61.0%, under budget.

No Capital assets have been purchased during the Fiscal year.

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

	General Fund	Adjustments
Assets		
Current assets:		
Cash	\$323,787	\$ -
Due From Special Deposit Fund	\$0	
Prepaid items	\$3,727	-
	<u>327,514</u>	<u>-</u>
Noncurrent assets:		
Deposits with others	0	-
Capital assets, net	-	\$0
	<u>-</u>	<u>\$0</u>
Total assets	<u>\$ 327,514</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	101,627	-
Accrued salaries and benefits	21,257	-
Other accrued expenses	3,109	
Compensated absences , current	0	\$39,824
	<u>\$ 125,993</u>	<u>\$ 39,824</u>
Total current liabilities		
Long-term liabilities:		
Compensated absences , long-term		16,420
Total liabilities	<u>\$ 125,993</u>	<u>\$ 56,244</u>
Fund balance		
Fund balance:		
Reserved for prepaid items and deposits with others	3,727	(3,727)
Unreserved, undesignated	- 197,794	(197,794)
	<u>201,521</u>	<u>(201,521)</u>
Total fund balance		
Total liabilities and fund balance	<u>\$ 327,514</u>	
Net Position:		
Unrestricted		144,462
Total Net Position		<u>\$ 144,462</u>

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

	General Fund	Adjustments	Government Wide
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 3,100,000	-	\$ 3,100,000
General revenues:			
Investment earnings	5	-	5
Miscellaneous Income	0	-	-
	<u>3,100,005</u>	<u>-</u>	<u>3,100,005</u>
Total Revenues			
	<u>3,100,005</u>	<u>-</u>	<u>3,100,005</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	787,203	(46,254)	740,949
Legal and professional services	2,177,601	-	2,177,601
Travel	20,689	-	20,689
Insurance	22,755	-	22,755
Other	7,184	-	7,184
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures/Expenses			
	<u>3,015,432</u>	<u>(46,254)</u>	<u>2,969,178</u>
Change in fund balance/net position	84,572	46,254	130,826
Fund balance/net position - July 1, 2025	<u>116,134</u>	<u>(\$102,498)</u>	<u>13,636</u>
Fund balance/net position -June 30, 2026	<u>\$ 200,706</u>	<u>\$ (56,244)</u>	<u>\$ 144,462</u>

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

	Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$6,636,720	\$3,100,000	\$ (3,536,720)
Investment earnings	\$0	\$5	5
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$6,636,720</u>	<u>\$3,100,005</u>	<u>(3,536,716)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	973,464	787,203	186,261
Legal and professional services	5,582,652	2,177,601	3,405,051
Travel	36,000	20,689	15,311
Office expenses	2,400	1,240	1,160
Insurance	23,004	22,755	249
Other	19,200	\$5,944	13,256
Capital outlay	-	-	-
Total expenditures	<u>6,636,720</u>	<u>3,015,432</u>	<u>3,621,288</u>
Change in fund balance	<u>\$ -</u>	84,572	\$ 84,572
 Fund balance - July 1, 2025		<u>116,134</u>	
Fund balance June 30, 2026		<u>\$ 200,706</u>	

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

	General Fund	Adjustments
Assets		
Current assets:		
Cash	\$280,027	\$ -
Due From Special Deposit Fund	\$0	
Prepaid items	\$6,818	-
	<u>286,845</u>	<u>-</u>
Noncurrent assets:		
Deposits with others	0	-
Capital assets, net	-	\$0
	<u>-</u>	<u>\$0</u>
Total assets	<u>\$ 286,845</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	98,687	-
Accrued salaries and benefits	20,563	-
Other accrued expenses	2,071	
Compensated absences , current	0	\$36,541
	<u>\$ 121,321</u>	<u>\$ 36,541</u>
Total current liabilities		
Long-term liabilities:		
Compensated absences , long-term		41,006
Total liabilities	<u>\$ 121,321</u>	<u>\$ 77,547</u>
Fund balance:		
Reserved for prepaid items and deposits with others	6,818	(6,818)
Unreserved, undesignated	- 158,706	(158,706)
	<u>165,524</u>	<u>(165,524)</u>
Total fund balance		
Total liabilities and fund balance	<u>\$ 286,845</u>	
Net Position:		
Unrestricted		<u>87,162</u>
Total Net Position		<u>\$ 87,162</u>

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

	General Fund	Adjustments	Government Wide
Revenues			
Program revenues:			
Operating grants and contributions:			
State of California appropriation to Receivership	\$ 2,900,000	-	\$ 2,900,000
General revenues:			
Investment earnings	5	-	5
Miscellaneous Income	0	-	-
Total Revenues	<u>2,900,005</u>	<u>-</u>	<u>2,900,005</u>
Expenditures/Expenses:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	736,314	(24,951)	711,363
Legal and professional services	2,070,453	-	2,070,453
Travel	19,667	-	19,667
Insurance	19,268	-	19,268
Other	5,728	-	5,728
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures/Expenses	<u>2,851,430</u>	<u>(24,951)</u>	<u>2,826,479</u>
Change in fund balance/net position	48,575	24,951	73,526
Fund balance/net position - July 1, 2025	<u>116,134</u>	<u>(\$102,498)</u>	<u>13,636</u>
Fund balance/net position - May 31, 2026	<u>\$ 164,709</u>	<u>\$ (77,547)</u>	<u>\$ 87,162</u>

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

	Budget	Actual (Budgetary Basis)	Variance between Final Budget and Actual
Revenues:			
State of California appropriation to Receivership	\$6,083,660	\$2,900,000	\$ (3,183,660)
Investment earnings	\$0	\$5	5
Miscellaneous Income	-	\$0	-
Total revenues	<u>\$6,083,660</u>	<u>\$2,900,005</u>	<u>(3,183,656)</u>
Expenditures:			
Prison health care administration and oversight:			
Current:			
Salaries and benefits	892,342	736,314	156,028
Legal and professional services	5,117,431	2,070,453	3,046,978
Travel	33,000	19,667	13,333
Office expenses	2,200	1,105	1,095
Insurance	21,087	19,268	1,819
Other	17,600	\$4,623	12,977
Capital outlay	-	-	-
Total expenditures	<u>6,083,660</u>	<u>2,851,430</u>	<u>3,232,230</u>
Change in fund balance	<u>\$ -</u>	48,575	\$ 48,575
Fund balance - July 1, 2025		<u>116,134</u>	
Fund balance May 31, 2026		<u>\$ 164,709</u>	