Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Independent Auditor's Reports and Consolidated Financial Statements

December 31, 2019 and 2018

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

December 31, 2019 and 2018

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Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

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December 31, 2019

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Independent Auditor's Report

Board of Trustees and Management of
Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary and
Mr. Brian S. Colón, Esq., New Mexico State Auditor
Gallup, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary (the Hospital), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Hospital as of December 31, 2019 and 2018, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 18* to the financial statements, the Hospital adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules required by Section 2.2.2 of the New Mexico Administrative Code and the board of trustees and principal employees schedule listed in the table of contents 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 information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 29, 2020, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

BKD, LLP

Waco, Texas
May 29, 2020

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash and cash equivalents	$ 5,855,090	$ 6,794,775
Patient accounts receivable	7,778,137	7,988,311
Estimated amounts due from third-party payers	2,149,584	2,980,641
Mill levy receivable	890,567	977,244
Supplies	1,149,687	1,152,331
Prepaid expenses and other	587,494	341,725
Other receivables	131,232	125,833
Total current assets	18,541,791	20,360,860
Assets Limited As To Use		
Held for deferred compensation plan	608,144	469,606
Property and Equipment, At Cost		
Land and land improvements	788,219	788,219
Buildings and leasehold improvements	34,163,970	33,570,621
Equipment	32,027,658	30,676,635
Construction in progress	260,284	132,012
	67,240,131	65,167,487
Less accumulated depreciation	55,237,509	53,448,846
	12,002,622	11,718,641
Other Assets		
Investment in risk retention group	1,653,996	1,727,784
Total assets	$ 32,806,553	$ 34,276,891

Liabilities and Net Assets

	2019	2018
Current Liabilities		
Current maturities of long-term debt	$ 1,220,879	$ 1,212,224
Accounts payable	8,813,385	8,111,568
Accrued expenses	4,191,699	4,347,667
Estimated amounts due to third-party payers	-	810,934
Other	792,056	643,976
Total current liabilities	15,018,019	15,126,369
Deferred Compensation Liabiilty	608,144	469,606
Long-term Debt	4,978,769	5,896,871
Total liabilities	20,604,932	21,492,846
Net Assets		
Without donor restrictions	11,378,771	12,084,668
With donor restrictions	822,850	699,377
Total net assets	12,201,621	12,784,045
Total liabilities and net assets	$ 32,806,553	$ 34,276,891

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Consolidated Statements of Operations

Years Ended December 31, 2019 and 2018

	2019	2018
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue	$ 62,783,225	$ 65,782,925
Supplemental funding	4,582,538	5,760,038
Mill levy tax revenue	2,372,877	2,650,461
Other operating revenue	2,195,168	6,214,197
Net assets released from restrictions used for operations	2,383	-
Total unrestricted revenues, gains and other support donor restrictions	71,936,191	80,407,621
Expenses and Losses		
Salaries and wages	25,955,878	26,126,430
Employee benefits	7,930,022	8,204,573
Purchased services and professional fees	21,151,975	17,030,819
Supplies and other	15,922,625	16,516,531
Interest	458,863	661,235
Loss on unamortized debt cost	-	327,715
Depreciation and amortization	1,835,387	1,880,343
Total expenses and losses	73,254,750	70,747,646
Operating Income (Loss)	(1,318,559)	9,659,975
Other Income (Expense)		
Investment return	159,380	55,346
Investment loss in risk retention group	(73,788)	(83,452)
Total other income (expense)	85,592	(28,106)
Excess (Deficiency) of Revenues Over Expenses	(1,232,967)	9,631,869
Net assets released from restriction used for acquisition of property and equipment	527,070	210,249
Increase (Decrease) in Net Assets Without Donor Restrictions	$ (705,897)	$ 9,842,118

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2019 and 2018

	2019	2018
Net Assets Without Donor Restrictions		
Excess (deficiency) of revenues over expenses	$ (1,232,967)	$ 9,631,869
Net assets released from restriction used for purchase of property and equipment	527,070	210,249
Increase (decrease) in net assets without donor restrictions	(705,897)	9,842,118
Net Assets With Donor Restrictions		
Contributions received	652,926	556,988
Net assets released from restriction	(529,453)	(210,249)
Increase in net assets with donor restrictions	123,473	346,739
Change in Net Assets	(582,424)	10,188,857
Net Assets, Beginning of Year	12,784,045	2,595,188
Net Assets, End of Year	$ 12,201,621	$ 12,784,045

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 63,161,602	$ 60,979,513
Receipts from supplemental program and other operating receipts	9,237,260	14,241,816
Payments to employees and suppliers	(70,663,175)	(68,547,693)
Investment earnings received	159,380	55,346
Interest paid	(454,382)	(713,994)
Net cash provided by operating activities	1,440,685	6,014,988
Cash Flows from Investing Activities		
Proceeds from disposition of investments	-	927,109
Purchase of property and equipment	(1,770,246)	(464,037)
Net cash provided by (used in) investing activities	(1,770,246)	463,072
Cash Flows from Financing Activities		
Proceeds from restricted contributions and investment income	250,000	-
Proceeds from contributions for acquisition of property and equipment	402,926	556,988
Other financing activities:		
Payment of deferred financing costs	-	(205,890)
Proceeds from issuance of long-term debt	-	4,951,734
Principal paid on long-term debt	(1,263,050)	(6,367,549)
Net cash used in financing activities	(610,124)	(1,064,717)
Increase (Decrease) in Cash and Cash Equivalents	(939,685)	5,413,343
Cash and Cash Equivalents, Beginning of Year	6,794,775	1,381,432
Cash and Cash Equivalents, End of Year	$ 5,855,090	$ 6,794,775

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities		
Change in net assets	$ (582,424)	$ 10,188,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,835,387	1,880,343
Loss on unamortized bond cost	-	327,715
Contributions restricted for long-term investments	(652,926)	(556,988)
Changes in assets and liabilities:		
Decrease (increase) in patient accounts receivable	210,174	(583,882)
Decrease (increase) in estimated amounts due from and to third-party payers	20,123	(4,028,763)
Decrease (increase) in inventory	2,644	(20,871)
Decrease (increase) in other assets	(229,241)	336,834
Increase (decrease) in accounts payable and accrued expenses	684,387	(1,364,456)
Increase (decrease) in other liabilities	152,561	(163,801)
Net cash provided by operating activities	$ 1,440,685	$ 6,014,988
Supplemental Cash Flows Information		
Capital lease obligations incurred for capital assets	$ 349,122	$ 475,125
Change in assets held for 457(b) plan	138,538	78,578

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Rehoboth McKinley Christian Health Care Services, Inc. (the Hospital) is a not-for-profit healthcare system located in Gallup, New Mexico. The Hospital provides inpatient and outpatient hospital care, emergency care services, physician clinics and home care and hospice services to the residents of Gallup, McKinley County and the surrounding area. The Hospital is not required to legally adopt an annual budget.

The consolidated financial statements of the Hospital include accounts of the Hospital and the Western Health Foundation (the Foundation). The Foundation is a non-profit corporation and a subsidiary to the Hospital. The Foundation develops funds to aid the Hospital, behavioral health services and other programs. The Hospital is the sole member of this organization and approves the activities of the Foundation. The financial statements have been consolidated given that the Hospital meets the criteria of having an economic interest in the Foundation. Intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts and repurchase agreements. Uninvested cash and cash equivalents within the Hospital's investment brokerage account is excluded from cash and cash equivalents.

At December 31, 3019, the Hospital's cash accounts exceeded federally insured limited and pledged collateral by approximately $668,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and investments in all debt securities are carried at fair value.

The investment in risk retention group is recorded on the equity method of accounting. Under the equity method, the investment is initially recorded at cost, and thereafter, the carrying amount is adjusted for the Hospital's proportionate share of the investee's earnings and any distributions.

Assets Limited as to Use

Assets limited as to use includes assets held by trustees under a deferred compensation plan. Amounts required to meet current liabilities of the Hospital are included in current assets.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Hospital bills third-party payers directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

Supplies

Supply inventories consist primarily of medical, surgical and maintenance supplies and pharmaceuticals. Costs of these supplies are determined using the first-in, first out (FIFO) method. FIFO inventories are stated using the lower of cost or market.

Mill Levy

Under the Hospital Funding Act, a New Mexico state law, McKinley County voters approved an ad valorem tax levy of up to four mills, effective July 1, 2013. The County board of commissioners approved three mills beginning in tax year 2013. As of December 31, 2019 and 2018, the Hospital reported a receivable for the December collections not remitted to the Hospital of approximately $890,000 and $977,000, respectively.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Additions, improvements and other capital outlays that significantly extend the useful life of an asset and are greater than $1,000 are capitalized. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	35 - 40 years
Leasehold improvements	5 - 10 years
Equipment	3 - 5 years

Donations of property and equipment are reported at fair value as an increase in net assets without donor restrictions unless use of the assets is restricted by the donor. Monetary gifts that must be used to acquire property and equipment are reported as restricted support. The expiration of such restrictions is reported as an increase in net assets without donor restrictions when the donated asset is placed in service.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are presented as a reduction of the related debt and are amortized over the term of the respective debt using the effective interest method.

Long-lived Asset Impairment

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2019 and 2018.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Patient Service Revenue

Patient service revenue is recognized as the Hospital satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policies and implicit price concessions provided to uninsured patients.

The Hospital determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Hospital determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable

consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Charity Care

The Hospital provides charity care to patients who are financially unable to pay for health care services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. Direct and indirect costs for providing charity care are estimated by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients. The estimated total direct and indirect costs of charity care services were approximately $504,000 and $623,000 during the years ended December 31, 2019 and 2018, respectively.

Contributions

Contributions are provided to the Hospital either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service. Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Self-insurance

The Hospital has elected to self-insure certain costs related to employee health benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Hospital has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to $100,000.

Professional Liability Claims

The Hospital recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 9*.

Income Taxes

The Hospital and the Foundation have been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the entities are subject to federal income tax on any unrelated business taxable income.

The Hospital and the Foundation file an exempt organization return and, if applicable, unrelated business income tax or other returns with U.S. Internal Revenue Service, New Mexico Attorney General and New Mexico Department of Taxation and Revenue. The Hospital and Foundation are no longer subject to income tax examinations by taxing authorities for years before fiscal year 2016 for its federal and state filings.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. The reclassifications had no effect on the changes in financial position.

Revision

Certain immaterial revisions were made to the 2018 financial statements. Patient accounts receivable and accounts payable were reduced by $580,000. The revision has no effect on the changes in net assets.

Note 2: Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Hospital bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients receiving services in its outpatient centers. The Hospital measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals) and the Hospital does not believe it is required to provide additional goods related to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Transaction Price

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Hospital's policy and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare. Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

Medicaid. Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Hospital's

historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2019 and 2018. The Hospital's Medicare and Medicaid cost report audits have been completed through December 31, 2013.

Refund Liabilities

From time to time the Hospital will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2019 and 2018, the Hospital has a liability for refunds to third-party payors and patients recorded of approximately $1,400,000 and $1,800,000, respectively, which is included in accounts payable in the balance sheets.

Patient and Uninsured Payors

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2019 and 2018, there were no material changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Revenue Composition

The Hospital has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Method of reimbursement (fee for service)
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, etc.)

For the years ended December 31, 2019 and 2018, the Hospital recognized patient revenue of approximately $62,800,000 and $65,800,000, respectively, from goods and services that transfer to the customer over time.

The composition of patient service revenue by primary payor for the years ended December 31, 2019 and 2018, respectively, is as follows:

	2019	2018
Medicare	$ 18,332,702	$ 18,923,976
Medicaid	12,682,211	25,167,930
Other third-party payers	27,687,402	16,798,275
Patients	4,080,910	4,892,744
	$ 62,783,225	$ 65,782,925

Revenue from patients' deductibles and coinsurance are included in the categories presented above based on the primary payor.

Supplemental Funding Revenue

The Hospital participates in the Safety Net Care Pool (SNCP) program, previously known as the sole community provider indigent care program, administered by the State of New Mexico. Revenue from this program for the years ended December 31, 2019 and 2018, totaled approximately $4.5 million and $5.7 million, respectively. Of this balance approximately $2.1 million and $2.9 million was a receivable as of December 31, 2019 and 2018, respectively.

The SNCP program is subject to ongoing review by Health and Human Services and the State of New Mexico and the funding is subject to recoupment based on future reconciliation audits. The historical funding is not necessarily representative of funding the Hospital will receive in future years.

Note 3: Concentration of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2019 and 2018, is:

	2019	2018
Medicare	23%	26%
Medicaid	18%	20%
Other third-party payers	49%	45%
Patients	10%	9%

Note 4: Assets Limited as to Use

Assets limited as to use includes the following at December 31:

	2019	2018
Money market mutual funds	$ 48,195	$ 67,484
U.S. equity securities	432,290	261,684
Mutual funds	28,576	24,038
U.S. government securities	99,083	116,400
	$ 608,144	$ 469,606

Note 5: Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises 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 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 supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	Fair Value at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use				
U.S. equity securities - various sectors	$ 432,290	$ 432,290	$ -	$ -
U.S. government securities	99,083	-	99,083	-
Mutual funds	28,576	28,576	-	-
	$ 559,949	$ 460,866	$ 99,083	$ -

	Fair Value at December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use				
U.S. equity securities - various sectors	$ 261,684	$ 261,684	$ -	$ -
U.S. government securities	116,400	-	116,400	-
Mutual funds	24,038	24,038	-	-
	$ 402,122	$ 285,722	$ 116,400	$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2019 and 2018.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in

Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Hospital did not hold any Level 3 securities at December 31, 2019 and 2018.

Note 6: Long-Term Debt

Long-term debt consists of the following at December 31:

	2019	2018
Loan - First National Bank of McGregor (A)	$ 4,799,970	$ 4,900,105
Notes payable and line of credit (B)	776,420	1,532,750
Capital lease obligations (C)	822,326	875,308
	6,398,716	7,308,163
Less unamortized debt issuance costs	(199,068)	(199,068)
Less current maturities	(1,220,879)	(1,212,224)
	$ 4,978,769	$ 5,896,871

(A) On June 27, 2018, the Hospital entered into a loan agreement with The First National Bank of McGregor for $4,951,734. This agreement bears an interest rate of 6.5% and principal payments are due monthly in the amount of $33,995 beginning July 27, 2018, with the final payment due on or before June 27, 2042. The loan is secured by the Hospital's property and equipment, and is subject to certain covenants related to reporting and debt ratios. The Hospital was in compliance with all covenants other than the submission of the audit within 90 days of year end, but has 15 days to cure the violation upon written notice.

(B) On October 11, 2017, the Hospital entered into a line of credit agreement with a Pinnacle Bank totaling $1,500,000 collateralized by mill levy receipts to help with day-to-day operations and to assist in payment of loans coming due. This agreement bears an interest rate of 4.75% and principal payments are due every six months in the amount of $375,000 beginning June 20, 2019, with the final payment due on or before December 2020. As of December 31, 2019 and 2018, the Hospital had an outstanding balance of $741,410 and $1,491,410, respectively, on the line of credit.

On November 7, 2018, the Hospital entered into an agreement with Pinnacle Bank for the purchase of a truck for $46,695. The note bears an interest rate of 5% and must be paid in full by November 15, 2022. On December 31, 2019 and 2018, the outstanding balance for the loan is $35,010 and $45,863, respectively.

(C) The reported value of equipment under capital leases in included in property, plant and equipment in the consolidated balance sheets and was $1,326,608 and $1,679,093, net of accumulated depreciation of $905,883 and $204,276 at December 31, 2019 and 2018, respectively. Amortization of assets under capital leases is included in depreciation and amortization expense in the consolidated statements of operations. The capital leases expire at various dates through 2024 and accrue interest at rates ranging from 0%-9.6%.

Required principal payments on long-term debt are as follows:

	Loan- First National Bank of McGregor	Capital Lease Obligations	Notes Payable and Line of Credit
2020	$ 407,940	$ 426,911	$ 789,564
2021	407,940	340,493	12,937
2022	407,940	60,090	11,859
2023	407,940	45,689	-
2024	407,940	28,196	-
Thereafter	7,139,479	-	-
	$ 9,179,179	$ 901,379	$ 814,360
Less amount representing interest	4,379,209	79,053	37,940
	4,799,970	822,326	776,420
Less current maturities	84,278	383,742	752,859
Noncurrent portion	$ 4,715,692	$ 438,584	$ 23,561

Note 7: Operating Leases

The Hospital has a facility lease agreement with McKinley County, New Mexico (County) extending through August 31, 2028, for the use of the hospital and dialysis building. The annual rent paid to the McKinley County for the use of the Hospital facility is $1,500,000 and requires monthly payments of $125,000. Every five years the base rent will be re-evaluated based on updated appraisals reviewed and concurred by the Property Tax Division of the New Mexico Taxation and Revenue Department. As of December 31, 2019 and 2018, the Hospital had $1,550,000 and $2,150,000, respectively, of unpaid rent under this agreement that is included in accounts payable and included in the minimum lease payments below based on the negotiated repayment plan.

In addition to the facility lease agreement with the County above, the Hospital also has noncancelable operating leases for various equipment. The future minimum lease payments under the facility lease agreement and the equipment leases at December 31, 2019, are as follows:

2020	$	2,576,535
2021		2,628,301
2022		2,258,115
2023		1,702,460
2024		1,505,568
Later years		5,700,000
Future minimum lease payments	$	16,370,979

Note 8: Employee Health Claims

The Hospital has retained liability for certain employee health claims up to $100,000 per employee and has purchased insurance for claims in excess of these amounts. Management believes that adequate reserves have been established as of December 31, 2019 and 2018, to cover claims which have been incurred but not reported. Such reserves were approximately $346,000 and $485,000 at December 31, 2019 and 2018, respectively, recorded in accrued expenses on the balance sheet.

Note 9: Medical Malpractice Claims

Effective March 1, 2003, pursuant to the Federal Risk Retention Act and under the captive insurance Hospital provisions of Vermont law, the Hospital is insured under a founding subscriber in the VHA Mountain States Reciprocal Risk Retention Group. The purpose of this group is to provide malpractice and general liability coverage. The Hospital recognizes annual changes in valuation through allocations. The Hospital's allocation was a decrease of $73,788, from a total pool of $838,507, for 2019 and a decrease of $83,452, from a total pool of $1,065,965, for 2018.

The policies under the group are on a claims-made basis with a per occurrence deductible for $25,000, with maximum coverage per occurrence of $1,000,000 and an aggregate of $3,000,000 for professional liability and $1,000,000 for general liability. The premiums accrued are based on the ultimate experience of the group of health care entities. At December 31, 2019 and 2018, the Hospital cannot estimate the additional premiums, if any, which may accrue as a result of the Group's experience to date.

Employed physicians are covered under the same risk retention group on a claims-made basis with maximum coverage of $1,000,000 per occurrence and an aggregate of $3,000,000.

Based upon the Hospital's claims experience, an accrual had been made for the Hospital's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately $450,000 as of December 31, 2019 and 2018. It is reasonably possible that this estimate could change materially in the near term.

Note 10: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Purchase of equipment and facility updates	$ 557,206	$ 683,733
Health education	265,644	15,644
	$ 822,850	$ 699,377

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2019	2018
Satisfaction of purpose restrctions		
Purchase of equipment and facility updates	$ 525,992	$ 169,908
Building project	1,078	40,341
Health education	2,383	-
	$ 529,453	$ 210,249

Note 11: Functional Expenses

The Hospital provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative and fundraising functional expense. The following schedule presents the natural classification of expenses by function as follows:

	2019			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 22,511,095	$ 3,444,783	$ -	$ 25,955,878
Employee benefits	5,797,476	2,132,546	-	7,930,022
Purchased services and professional fees	12,997,461	8,154,514	-	21,151,975
Supplies and other	11,620,204	4,242,140	60,281	15,922,625
Interest	125,188	333,675	-	458,863
Depreciation and amortization	363,946	1,471,441	-	1,835,387
Total expenses	$ 53,415,370	$ 19,779,099	$ 60,281	$ 73,254,750

	2018			
	Health Care Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 21,024,764	$ 5,047,168	$ 54,498	$ 26,126,430
Employee benefits	5,874,342	2,322,319	7,912	8,204,573
Purchased services and professional fees	14,532,895	2,497,924	-	17,030,819
Supplies and other	11,718,107	4,693,027	105,397	16,516,531
Interest	-	661,235	-	661,235
Loss on unamortized debt cost	-	327,715	-	327,715
Depreciation and amortization	1,117,135	763,208	-	1,880,343
Total expenses	$ 54,267,243	$ 16,312,596	$ 167,807	$ 70,747,646

Note 12: Defined Contribution Plan

The Hospital has established a Section 403(b) retirement plan (the Plan). There is no minimum period of service or age in order to be eligible to participate; however, employees must make a minimum contribution to be eligible for a discretionary contribution. The Hospital matches 30% of contributions up to 3% of the employee's salary. At December 31, 2019 and 2018, accrued employer contributions of approximately $102,000 and $116,000, respectively, were accrued.

Effective January 1, 2003, the Hospital adopted a nonqualified deferred compensation plan under Section 457(b) of the Internal Revenue Code. The plan enables certain key employees to enhance

their retirement security by deferring compensation in addition to 403(b) deferrals. An irrevocable trust was established to satisfy the financial obligations to provide benefits to participants under the plan. Participants do not have a secured interest in the assets held in the trust; as such, assets remain the property of the Hospital and are subject to creditor claims. The amount funded to the trust as of December 31, 2019 and 2018, was $608,144 and $469,606, respectively. The liability is reported within other on the balance sheets.

Note 13: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019 and 2018, comprise the following:

	2019	2018
Financial assets at year end		
Cash and cash equivalents	$ 5,855,090	$ 6,794,775
Patient accounts receivable, net	7,778,137	7,988,311
Estimated amounts due from third-party payers	2,149,584	2,980,641
Mill levy receivable	890,567	977,244
Other receivables	131,232	125,833
Assets limited as to use	608,144	469,606
Investment in risk retention group	1,653,996	1,727,784
Total financial assets	19,066,750	21,064,194
Less amounts not available to be used within one year		
Assets limited as to use	608,144	469,606
Other assets	1,653,996	1,727,784
Financial assets not available to be used within one year	2,262,140	2,197,390
Financial assets available to meet general expenditures within one year	$ 16,804,610	$ 18,866,804

Note 14: Related Party Transactions

The Hospital entered into a management service agreement with Healthcare Integrity, LLC (HCI, LLC), wholly owned by David Conejo, chief executive officer. Under this agreement, HCI, LLC provides management and administrative services for the Hospital. The management agreement services agreement fees are $23,500 per month plus wages of the administrative staff employed by HCI, LLC. Per the agreement, the Hospital's chief executive officer, chief financial officer, chief operating officer and clinic manager can all be employed by HCI, LLC. As of December 31, 2019 and 2018, only the chief executive officer is employed by HCI, LLC. The Hospital incurred expenses of approximately $674,000 ($282,000 for manager fees and $392,000 for salaries) and $635,000 ($282,000 for manager fees and $353,000 for salaries) in 2019 and 2018, respectively, under these management agreements. As of December 31, 2019 and 2018, the Hospital owed $53,434 and $0, respectively, for management services which is reported as a portion of accounts payable.

The Hospital has a consulting services agreement with Jay Hodges, chief financial officer (CFO), to perform CFO duties and related financial consulting services. For the year ended December 31, 2019, the Hospital incurred expenses of approximately $324,000 under this agreement.

Additionally, a board member, David Dallago, is owner of a company that performs plumbing, heating, air conditioning and medical gas services, and the Hospital incurred expenses of approximately $78,000 and $92,000 for maintenance and repair services and expended approximately $46,000 and $80,000 for equipment and related installation during the year ended December 31, 2019 and 2018, respectively.

On August 1, 2018, hospitalist physician coverage, and Chief Operating and Nursing Officer (COO/CNO) duties were contracted through a company owned by William Kiefer, the formerly employed COO/CNO. During the period from August 1, 2018 through December 31, 2018, the Hospital incurred expenses of approximately $107,000 for COO/CFO duties and incurred expenses of approximately $569,000 for hospitalist physician services under these agreements.

Note 15: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 1* and *2*.

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in *Notes 1* and *9.*

General Litigation

The Hospital is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated balance sheets, change in net assets and cash flows of the Hospital. Events could occur that would change this estimate materially in the near term.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

Note 16: Subsequent Events

Subsequent events have been evaluated through May 29, 2020, which is the date that consolidated financial statements were available to be issued.

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. Subsequent to year-end, the spread of COVID-19 began to cause some business disruption through reduced patient revenue, specifically related to elective procedures and physician office visits. Additionally, there has been significant volatility in the investment markets both nationally and globally since December 31, 2019, resulting in an overall market decline in certain market segments which has resulted in a substantial decline in the value of our investment portfolio. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The Hospital expects this matter to negatively impact its financial condition and operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

On May 6, 2020, the Hospital received a letter from McKinley County (County) stating that due to significant delays in providing requested information to the County's auditors, regarding the expenditure of mil levy funds, the County is moving forward with the termination of the facility

lease agreement which would become effective November 6, 2020. Additionally, the County has requested repayment of past due rent as discussed in *Note 7* and ending of the mil levy revenue as discussed in *Note 1*. The loss of the facility lease could significantly impact the ability of the Hospital to continue as a going concern, as they would be forced to either locate an alternative location or close the operations, unless the lease can be renegotiated within the required time period. Management is currently working to ensure that the requested information is provided as soon as possible and are working on the renegotiation of the lease agreement with the County. Management believes it is probable that the County will agree to amended terms which will allow the Hospital to continue operating out of its current facilities. As of May 29, 2020, the Hospital has repaid the past due rents and believes that all the requested information has been provided.

Note 17: Future Changes in Accounting Principles

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statements of operations recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for the Hospitals fiscal year ending December 31, 2022 after the one-year deferral approved in May 2020. The Hospital is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 18: Change in Accounting Principle

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*

On January 1, 2019, the Hospital adopted Accounting Standards Update No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, using a full retrospective method of adoption to all contracts with patients at January 1, 2018.

The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to patients in amounts that reflect the consideration to which the Hospital expects to be entitled in exchange for those goods or services. The amount to which the Hospital expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient services to its patients. Under Topic 606, the estimated amounts due from patients for which the Hospital does not expect to be entitled or collect from the patients are considered implicit price concessions and excluded from the Hospital' estimate of the transaction price for revenue recorded.

Because contracts are generally completed within a year, the Hospital used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the year ending December 31, 2018.

Prior to the adoption of Topic 606, the majority of the provision for uncollectible accounts related to patients without insurance, as well as patient responsibility balances for co-pays, co-insurance and deductibles for patients with insurance.

Adoption of Topic 606 resulted in changes in presentation of financial statements and related disclosures in the notes to the consolidated financial statements as shown below. The adoption of this standard had no impact on operating income, overall change in net assets or net cash provided by operating activities.

	December 31, 2018		
	As Previously Reported	Adoption Impact - ASU 2014-09	As Adjusted
Statement of Operations			
Revenues, Gains and Other Support Without Donor Restriction			
Patient service revenue (net of contractual discounts and allowances)	$ 70,692,388	$ (4,909,463)	$ 65,782,925
Provision for uncollectible accounts	(4,909,463)	4,909,463	-
Net patient service revenue less provision for uncollectible accounts	65,782,925	-	65,782,925
Total revenues, gains and other support without donor restriction	65,782,925	-	65,782,925
Statements of Cash Flows			
Provision for uncollectible accounts	4,909,463	(4,909,463)	-
Changes in patient accounts receivable	(5,493,345)	4,909,463	(583,882)

New Mexico State Auditor's
Required Supplementary Information

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Pledged Collateral

December 31, 2019

Financial Institution	Total Deposits in Bank	Insured Portion	Required Collateralization 50% of Uninsured Portion	Collateral Pledged	Over/(Under) Collateralized
Wells Fargo Bank	$ 262,067	$ 250,000	$ 6,034	$ -	$ (6,034)
U.S. Bank	164,339	250,000	(42,831)	-	42,831
Bank of Colorado - Pinnacle Bank (Western Foundation Accounts)	865,048	250,000	307,524	-	(307,524)
Bank of Colorado - Pinnacle Bank (RMCHCS Accounts)	3,741,679	250,000	1,745,840	2,051,955	306,115
Total	$ 5,033,133	$ 1,000,000	$ 2,016,567	$ 2,051,955	$ 35,388

Repurchase Agreement

Financial Institution	Total Amount of Repurchase Agreement	Insured Portion	Required Collateralization 102% of Uninsured Portion	Collateral Pledged	Over/(Under) Collateralized
Wells Fargo Bank	$ 2,057,410	$ -	$ 2,098,558	$ 2,038,704	$ (59,854)

Pledged Collateral

Type of Security	Financial Institution	CUSIP Number	Maturity Date	Fair Value at December 31, 2019
GN-IIMA1449	Wells Fargo	31334YCD7	8/1/2049	$ 2,038,704
FHLMC G18552	Pinnacle Bank	3128HHTJ2	5/1/2030	671,604
FNMA AT1887	Pinnacle Bank	3138WPCZ5	12/1/2026	387,631
FNMA NOTES	Pinnacle Bank	3136G4GA5	1/28/2021	992,720
				$ 4,090,659

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Deposits and Investments

December 31, 2019

Account Title	Account Type	Bank Balance	Reconciling Items	Book Balance
Cash and Cash Equivalents				
Wells Fargo Bank				
Operational	Operating	$ 149,928	$ 408	$ 150,336
Operational	Depository	-	144,486	144,486
Operational	Accounts payable	-	(1,377,261)	(1,377,261)
Operational	Payroll	-	(6,636)	(6,636)
Operational	Pension	33,925	-	33,925
Operational	Urgent Care	78,214	-	78,214
U.S. Bank				
Athena Account	Checking	73,023	-	73,023
East Campus Projects	Checking	18,966	-	18,966
Urgent Care	Checking	72,350	15	72,365
Bank of Colorado - Pinnacle Bank				
Foundation Unrestricted Checking	Checking	3,446	(1,559)	1,887
Foundation Restricted	Money market account	779,297	-	779,297
Foundation Restricted Checking	Checking	976	-	976
Foundation Unrestricted	Money market account	81,329	-	81,329
Operational	Money market account	1,033,196	-	1,033,196
Mill Levy Proceeds	Insured cash sweep	2,587,534		2,587,534
Grants	Checking	73,331	-	73,331
Mill Levy Proceeds	Checking	25,000	970	25,970
Auxiliary - Gift Shop	Checking	17,119	(2,782)	14,337
Auxiliary - General Account	Checking	5,499	(645)	4,854
Total deposits		5,033,133	(1,243,004)	3,790,129
Wells Fargo Bank				
Repurchase Agreement	Sweep	2,057,410	-	2,057,410
Other				
Petty Cash	Cash	7,551	-	7,551
Total cash and cash equivalents		$ 7,098,094	$ (1,243,004)	$ 5,855,090
Other Investments				
Zia Trust				
Irrevocable trust - 457(b) plan	Cash equivalent	$ 48,195	$ -	$ 48,195
Irrevocable trust - 457(b) plan	U.S. equity securities	432,290	-	432,290
Irrevocable trust - 457(b) plan	Mutual funds	28,576	-	28,576
Irrevocable trust - 457(b) plan	U.S. government securities	99,083	-	99,083
Total other investments		$ 608,144	$ -	$ 608,144

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Indigent Care Cost and Funding Report

December 31,

			For the Years Ended December 31,		
			2019	2018	2017
A	**Funding for Indigent Care**				
	A1	State appropriations specified for indigent care	$ -	$ -	$ -
	A2	County indigent funds received	-	-	-
	A3	Out of county indigent funds received	-	-	-
	A4	Payments and copayments received from uninsured patients qualifying for indigent care	-	-	-
	A5	Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
	A6	Charitable contributions received from donors that are designated for funding indigent care	-	-	-
		Other sources			
	A7	Other source 1 (if applicable)	-	-	-
		Total funding for indigent care	-	-	-
B	**Cost of Providing Indigent Care**				
		Total cost of care for providing services to:			
	B1	Uninsured patients qualifying for indigent care	442,808	461,747	701,707
	B2	Patients qualifying for coverage under EMSA	-	-	-
	B3	Cost of care related to patient portion of bill for insured patients qualifying for indigent care	61,405	161,255	-
	B4	Direct costs paid to other providers on behalf of patients qualifying for indigent care	-	-	-
	B5	Other costs of providing indigent care (please specify)			
		Total cost of providing indigent care	504,213	623,002	701,707
		Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	$ (504,213)	$ (623,002)	$ (701,707)
C	**Patients Receiving Indigent Care Services**				
	C1	Total number of patients receiving indigent care	281	504	2,339
	C2	Total number of patient encounters receiving indigent care	1,090	1,241	2,339

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Calculations of Cost of Providing Indigent Care

December 31,

	For the Years Ended December 31,		
	2019	2018	2017
Uninsured Patients Qualifying for Indigent Care			
Charges for these patients	$ 1,489,864	$ 1,617,559	$ 2,142,596
Ratio of cost to charges	29.7%	28.5%	32.8%
Cost for uninsured patient qualifying for indigent care	$ 442,808	$ 461,747	$ 701,707
Patients Qualifying for Coverage Under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	$ -	$ -	$ -
Ratio of cost to charges	29.7%	28.5%	32.8%
Cost for patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	$ -	$ -	$ -
Cost of Care Related to Patient Portion of Bill for Insured Patients Qualifying for Indigent Care			
Charges for these patients	$ 207,424	$ 564,898	$ -
Ratio of cost to charges	29.7%	28.5%	32.8%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	$ 61,649	$ 161,255	$ -
Direct Costs Paid to Other Providers on Behalf of Patients Qualifying for Indigent Care			
Payments to other providers for care of these patients	$ -	$ -	$ -

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

Independent Auditor's Report

Board of Trustees and Management of
Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary and
Mr. Brian S. Colón, Esq., New Mexico State Auditor
Gallup, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary (the Hospital), which comprise the consolidated balance sheet as of December 31, 2019, and the related statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2020, which contained a reference to prior year financial statements being audited by other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Hospital's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be either a material weakness or significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 and 2019-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-004 through 2019-007.

Hospital's Response to Findings

The Hospital's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Hospital's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

BKD, LLP

Waco, Texas
May 29, 2020

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Summary of Audit Results

December 31, 2019

Type of Auditor Report Issued:

- Unmodified

Categories of Findings Identified for Internal Control over Financial Reporting:

- Material weakness
- Significant deficiency

Finding	Title	Category
2019-001	Accuracy and Timeliness of Account Reconciliation	Material Weakness
2019-002	Expenditure Control	Material Weakness
2019-003	Segregation of Duties	Significant Deficiency
2019-004	Untimely Cash Deposits	Other Noncompliance
2019-005	Collateralization of Public Funds	Other Noncompliance
2019-006	Compliance with Annual Reporting Requirements	Other Noncompliance
2019-007	Compliance with Facility Lease Payments	Other Noncompliance

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses

Year Ended December 31, 2019

Section I — Financial Statement Findings

2019–001 – Accuracy and Timeliness of Account Reconciliation (Material Weakness) (Repeated and Modified 2017-001 and 2018–001)

Criteria: All accounts in the Hospital's trial balance should be reconciled on a regular basis and adjustments should be made, as needed, to accurately reflect the Hospital's current financial position.

Condition: Account reconciliations for multiple accounts within the trial balance were not prepared in a timely or consistent basis. Additionally, some account reconciliations required significant modification by management during fieldwork or lacked adequate support.

Instances of lack of account reconciliations noted are as follows:

- The December 31, 2019, Depository and Operating cash account reconciliations were not completed until after the audit began. The Depository cash account reconciliation, when provided, resulted in a passed adjustment of: $126,849 to decrease cash and to increase operating expenses.
- The liability accruals for accrued payroll were understated by approximately $136,000.
- Prepaid assets were netted within accounts payable in the amount of approximately $165,000.
- Investment in risk retention group was not reconciled for current year changes by approximately $74,000.
- Deferred compensation (457) plan investment return and related expense were not adjusted for current year activity by approximately $127,000.
- Accounts payable accrued invoices of approximately $123,000 were improperly excluded.
- Lack of reconciliation of estimated amounts due to and from third-party payers including cost report settlements and safety net care pool funding.
- Lack of consideration of credit balances in patient accounts receivable allowance estimates.

Management has not made progress on this finding repeated from prior year.

Cause: Inadequate review and supervision over accounting functions allowed for inaccurate and untimely account reconciliations, which resulted in audit adjustments.

Effect: Without appropriate reporting capabilities and timely analysis of accounts, the trial balance and related financial reporting used by management and the Board of Trustees was not as accurate as it could have been. Inaccurate financials may have affected management or Board decisions.

Auditor's Recommendation: Management should develop a timeline and designate responsibilities for the reconciliation and analysis of all significant accounts.

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses (Continued)

Year Ended December 31, 2019

Management's Response: Management has a Balance Sheet Reconciliation Policy in draft form which outlines key accounts to be reconciled monthly and mandates all accounts be reconciled quarterly. Proposed policy calls for Supervisor review on every reconciliation. Full implementation is expected by September 30, 2020.

Person Responsible: CFO/Controller

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses (Continued)

Year Ended December 31, 2019

Section I — Financial Statement Findings – Continued

2019–002 – Expenditure Control (Material Weakness)

Criteria or Specific Requirement: All supporting documentation for expenditures should have proof of approval before the expenditure is released. Without adequate approval, the risk of an error or fraud occurring and not being detected or corrected in the normal course of management and employees performing this duty increases.

Condition: BKD reviewed a sample of eighteen invoices with their corresponding contracts. Per review, BKD noted that two invoices were not properly approved. Additionally, during test work related to credit card expenditures, BKD noted no formal documentation of approval by an appropriate member of management prior to the expenditure.

Cause: There was a lack on controls in place due to inadequate management oversight of the cash disbursement process.

Effect: The lack of review potential ability to perpetrate and conceal fraud.

Auditor's Recommendation:

Management's Response: Management will hold staff accountable to policies requiring approval of expenditures prior to payment and will review expenditure processes to improve internal controls. Management will require random sampling audits for all check runs to review for proper supporting documentation and correct approvals.

Person Responsible: CFO/Controller

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses (Continued)

Year Ended December 31, 2019

Section I — Financial Statement Findings – Continued

2019–003 – Segregation of Duties (Significant Deficiency) (Repeated and Modified 2016-002, 2017–002 and 2018-002)

Criteria or Specific Requirement: A fundamental concept in a good system of internal control is proper segregation of duties. Without adequate segregation of duties, the risk of an error or fraud occurring and not being detected or corrected in the normal course of management and employees performing their assigned duties increases. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. In situations where segregation of duties is not feasible, a higher level of management oversight is appropriate.

Condition:

The Hospital continues to have employees with incompatible duties:

- Certain individuals have incompatible duties in the purchases, cash disbursements and accounts payable transactions cycle. Individuals with the ability to generate payments, access to master files, change accounts payable entries and prepares and reviews the bank and accounts payable reconciliations should have separate duties from individuals with recording and monitoring duties.
- Certain individuals have incompatible duties in patient revenues, cash receipts and accounts receivable transactions cycle. Individuals with the ability to receive payments or authorize adjustments to patient accounts should have separate duties from individuals with recording and monitoring duties. At a minimum, the Hospital should attempt to separate the personnel functions that handle payments and deposit processing from those that can post adjustments and deductions to patient accounts.
- Certain individuals have incompatible duties in the payroll transactions cycle. Individuals with access or the ability to modify hours worked, sign and issue the payroll checks, generate a payroll payment, issue payroll checks and enter direct deposit information should have separate duties from individuals with the responsibility to record and review payroll information before it is processed.

Management has not made progress on this finding repeated from prior year.

Cause: There was a lack on controls in place due to staff and resource limitations.

Effect: The potential ability to perpetrate and conceal fraud.

Auditor's Recommendation: The Hospital should segregate incompatible duties to improve its internal controls related to cash receipts, disbursements and payroll areas.

Management's Response: Management is already working closely with new Senior Director of Revenue Cycle to evaluate patient financial services team members and processes. Management will also review payroll processing processes and identify opportunities improve segregation of duties as well as add oversight or review where possible. The goal will be to improve segregation of duties and internal controls as an outcome of these tasks.

Person Responsible: CFO/Controller

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses (Continued)

Year Ended December 31, 2019

Section II — Section 12-6-5 NMSA 1978 Findings

2019–004 – Untimely Cash Deposits (Other Noncompliance) (Repeated and Modified 2016-004, 2017–003 and 2018-003)

Criteria or Specific Requirement: The Public Money Act [Chapter 6-10-3 New Mexico Statutes Annotated (NMSA) 1978] requires that cash received by the Hospital must be deposited before the close of the next succeeding business day after the receipt of money.

Condition: One of the 25 deposits tested were not deposited within the required timeframe. Exceptions were identified at the Food Service and Admissions departments. It appears there has been lack of progress in implementing 2018 corrective action as noted in the above current year finding.

Cause: The departments identified did not have adequate controls in place to ensure that deposits of cash received were made within the required timeframe.

Effect: The Hospital was found to be not in compliance with the Public Money Act.

Auditor's Recommendation: The Hospital should establish controls to ensure that deposits are made by the following business day.

Management's Response: RMCHCS is now depositing funds within 24-hours and this began in Q1 of 2020.

Person Responsible: CFO/Controller

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses (Continued)
Year Ended December 31, 2019

Section II — Section 12-6-5 NMSA 1978 Findings – Continued

2019–005 – Collateralization of Public Funds (Other Noncompliance)
(Repeated and Modified 2016-006, 2017–005 and 2018-004)

Criteria or Specific Requirement: The Public Money Act [Chapter 6-10-17 New Mexico Statutes Annotated (NMSA) 1978] requires public monies be collateralized at 50% of the uninsured deposit amount. Since the Hospital is considered an "agency" of the State of New Mexico, all money held by the Hospital must be collateralized at 50% of the uninsured balances and repurchase agreements held by the Hospital must be collateralized at 102%.

Condition: At December 31, 2019, the Hospital had bank deposits totaling of $5,034,132. State law requires that $2,017,066 of these bank deposits be collateralized, but the pledged collateral related to specific accounts fell $313,588 below the state requirements, in the aggregate. In addition, at December 31, 2019, the Hospital held a repurchase agreement in the amount of $2,057,410. State law requires that $2,095,558 be collateralized, but the collateral for this agreement was only $2,043,800, which was $54,757 below the state requirements. It appears there has been lack of progress in implementing 2018 corrective action as noted in the above current year finding.

Cause: The Hospital lacked proper oversight and/or management reviews to ensure the Hospital was in compliance with all collateralization coverage requirements.

Effect: The Hospital deposits were not collateralized appropriately, and the Hospital was not in compliance with the public money requirements for amounts held in a financial institution exceeding the Federal Deposit Insurance Coverage (FDIC) overage of $250,000.

Auditor's Recommendation: The Hospital should work with its financial institutions to ensure adequate collateral is in place over all deposits.

Management's Response: RMCHCS has made improvements with financial institutions collateralization of funds and will work closely with the remaining financial institution(s) to become compliant.

Person Responsible: CFO/Controller

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses (Continued)

Year Ended December 31, 2019

Section II — Section 12-6-5 NMSA 1978 Findings – Continued

2019–006 – Compliance with Annual Reporting Requirements (Other Noncompliance) (Repeated and Modified 2018-005)

Criteria or Specific Requirement: In accordance with the Hospital Funding Act Article 4-48B-4. The Hospital should prepare an annual report to the Board of County Commissioners of McKinley County, New Mexico (the County) including other reports as the County may reasonably require.

Condition: At December 31, 2019, the County had requested information from the Hospital that had not been submitted to the County. It appears there has been lack of progress in implementing 2018 corrective action as noted in the above current year finding.

Cause: The Hospital disagreed with the content of the request and has refused to provide the information.

Effect: The County considers the request to be reasonable and the Hospital's refusal a noncompliance with the annual report requirement as noted above.

Auditor's Recommendation: The Hospital should work with the County to resolve the dispute and provide reasonable information in a timely manner in accordance with the Hospital Funding Act.

Management's Response: RMCHCS has made significant progress toward providing all data requested by the McKinley County independent auditor, with only four identified vendors remaining. Since May 8, 2020 Management has been fully focused on completing this supporting documentation request and been fully cooperating with the independent auditor.

Person Responsible: CFO/Controller

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Schedule of Findings and Responses (Continued)
Year Ended December 31, 2019

Section II — Section 12-6-5 NMSA 1978 Findings – Continued

2019–007 – Compliance with Facility Lease Payments (Other Noncompliance) (Repeated and Modified 2018-006)

Criteria or Specific Requirement: Under the Second Amended Lease Agreement (94-APR-O87) with the Board of County Commissioners of McKinley County, New Mexico (the County), Article 2.1, rental payments should be made on or before the first day of each month for an annual amount of $1,500,000.

Condition: At December 31, 2019, the Hospital is delinquent on rent payments under the agreement.

Cause: Due to cash flow concerns in prior and current years, the Hospital did not make rent payments in accordance with the lease agreement terms and was delinquent on rent payments. The Hospital reached an agreement with the County to delay rental payments and established a payment plan schedule for future rent payment amounts to recover the delinquent amounts that was being followed through December 31, 2019. It appears there has been lack of progress in implementing 2018 corrective action as noted in the above current year finding.

Effect: The Hospital was not in compliance with the rent payment terms of the agreement.

Auditor's Recommendation: The Hospital should continue to work with the County to resolve the noncompliance noted above.

Management's Response: RMCHCS continues to be ahead of the mutually agreed upon rent repayment plan from previous years. The plan calls for complete repayment by February 2023, but Management anticipates repayment prior to this date.

Person Responsible: CFO/Controller

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Current Status of 2018 Audit Findings

Year Ended December 31, 2019

Prior-Year Number	Description	Current Status
2018-001	Accuracy and Timeliness of Account Reconciliations	Repeated and Modified
2018-002	Segregation of Duties	Repeated and Modified
2018-003	Untimely Cash Deposits	Repeated and Modified
2018-004	Collateralization of Public Funds	Repeated and Modified
2018-005	Compliance with Annual Reporting Requirements	Repeated and Modified
2018-006	Compliance with Facility Lease Payments	Repeated and Modified

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Corrective Action Plan

Year Ended December 31, 2019

Audit Findings	Management's Corrective Action Plan	Person Responsible	Estimated Completion Date
2019–001 Accuracy and Timeliness of Account Reconciliation	Management will implement a Balance Sheet Reconciliation Policy and hold staff accountable for timely completion.	CFO/Controller	09/30/2020
2019–002 Expenditure Control	Management will hold staff accountable to policies and require random sampling audits to verify compliance.	CFO/Controller	06/30/2020
2019–003 Segregation of Duties	RMCHCS realizes the importance of segregation of duties and management will be assessing each situation to improve segregation of duties and internal controls.	CFO/Controller	08/31/2020
2019–004 Untimely Cash Deposits	Management has implemented depositing of funds within 24-hours as of Q1 2020.	CFO/Controller	Completed
2019–005 Collateralization of Public Funds	RMCHCS has made progress in this area but will continue working to correct the collateralization issues.	CEO/CFO	09/30/2020
2019–006 Compliance with Annual Reporting Requirements	Management is fully cooperating and has extra staff working to provide the requested information as quickly as possible.	CFO/Controller	05/31/2020
2019–007 Compliance with Facility Lease Payments	RMCHCS is complying with a mutually agreed upon repayment schedule.	CFO/Controller	Ongoing

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary

Exit Conference and Board of Trustees Presentation

An exit conference was held on May 25, 2020, with the following attending:

Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary:

Board of Trustees:
Klo Abieto
Laura Hammons, M.D.
John Luginbuhl
Brian Money
Christopher Gonzaga, M.D.
Cynthia Poblano
Ayodele Erinkle, M.D.

Management:
David Conejo, CEO
Mike Nye, COO
Mary Bevier, CFO

BKD, LLP:

Christa Worley, Managing Director

Financial Statement Preparation

The Hospital's independent public accountants prepared the accompanying financial statements; however, the Hospital is responsible for the contents of the financial statements and related footnotes.