

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

Independent Auditor's Reports and Consolidated Financial Statements

December 31, 2018 and 2017



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

December 31, 2018 and 2017

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

**Board of Trustees and Principal Employees  
December 31, 2018 and 2017**

**Rehoboth McKinley Christian Health  
Care Services, Inc.**

**Board of Trustees**

David Dallago, Chairman  
Ken Zylstra, Treasurer  
Charles Guimaraes, Chief of Staff  
Genevieve Jackson  
Reverend Lorelei Kay  
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Laura Hammons, MD  
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**Principal Employees**

David Conejo, CEO  
Jay Hodges, CFO

**Western Health Foundation**

**Board of Trustees**

Dr. Thomas Carmany, Chairman  
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James Jay Mason, Secretary-Treasurer  
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**Principal Employees**

Ina Burmeister, Executive Director  
David Conejo, CEO  
Jay Hodges, CFO

## 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 sheet as of December 31, 2018, and the related consolidated statements of operations, changes in net assets, and cash flows for the year 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 audit. We conducted our audit 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 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, 2018, and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in *Note 17* to the financial statements, in 2018, the Hospital adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities, (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Prior Year Audited by Other Auditors**

The 2017 financial statements were audited by other auditors, and their report thereon, dated May 25, 2018, expressed an unmodified opinion.

### **Other Matters**

#### **Supplementary Information**

Our audit was 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 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 November 26, 2019, 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  
November 26, 2019

**Rehoboth McKinley Christian Health Care Services, Inc.  
and Subsidiary**  
**Consolidated Balance Sheets**  
**December 31, 2018 and 2017**

**Assets**

	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,794,775	\$ 1,381,432
Patient accounts receivable, net of allowance; 2018 - \$11,873,000, 2017 - \$11,572,000	8,568,311	7,984,429
Estimated amounts due from third-party payers	2,980,641	1,943,527
Mill levy receivable	977,244	733,379
Supplies	1,152,331	1,131,460
Prepaid expenses and other	341,725	237,272
Other receivables	125,833	648,955
	<u>20,940,860</u>	<u>14,060,454</u>
<b>Assets Limited As To Use</b>		
Held for deferred compensation plan	469,606	548,184
Held by trustee	-	927,109
	<u>469,606</u>	<u>1,475,293</u>
<b>Property and Equipment, At Cost</b>		
Land and land improvements	788,219	788,219
Buildings and leasehold improvements	33,570,621	33,081,185
Equipment	30,676,635	29,855,177
Construction in progress	132,012	503,745
	<u>65,167,487</u>	<u>64,228,326</u>
Less accumulated depreciation	<u>53,448,846</u>	<u>51,568,504</u>
	<u>11,718,641</u>	<u>12,659,822</u>
<b>Other Assets</b>		
Investment in risk retention group	<u>1,727,784</u>	<u>1,811,236</u>
	<u>1,727,784</u>	<u>1,811,236</u>
Total assets	<u>\$ 34,856,891</u>	<u>\$ 30,006,805</u>

## Liabilities and Net Assets

	<u>2018</u>	<u>2017</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 1,212,224	\$ 3,495,838
Accounts payable	8,691,568	10,048,004
Accrued expenses	4,347,667	4,355,687
Estimated amounts due to third-party payers	810,934	3,802,583
Other	<u>1,113,582</u>	<u>1,304,349</u>
Total current liabilities	16,175,975	23,006,461
<b>Long-term Debt</b>	<u>5,896,871</u>	<u>4,405,156</u>
Total liabilities	<u>22,072,846</u>	<u>27,411,617</u>
<b>Net Assets</b>		
Without donor restrictions	12,084,668	2,242,550
With donor restrictions	<u>699,377</u>	<u>352,638</u>
Total net assets	<u>12,784,045</u>	<u>2,595,188</u>
Total liabilities and net assets	<u>\$ 34,856,891</u>	<u>\$ 30,006,805</u>

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

## Consolidated Statements of Operations Years Ended December 31, 2018 and 2017

	2018	2017
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>		
Net patient service revenue	\$ 70,692,388	\$ 59,576,206
Provision for uncollectible accounts	4,909,463	4,427,074
Net patient service revenue less provision for uncollected accounts	65,782,925	55,149,132
Supplemental funding	5,760,038	4,818,412
Mill levy tax revenue	2,650,461	2,477,388
Other operating revenue	6,075,182	2,224,025
Net assets released from restrictions used for operations	210,249	1,376,535
Total unrestricted revenues, gains and other support donor restrictions	80,478,855	66,045,492
<b>Expenses and Losses</b>		
Salaries and wages	26,126,430	26,459,685
Employee benefits	8,204,573	7,981,155
Purchased services and professional fees	17,030,819	17,000,819
Supplies and other	16,377,516	15,406,917
Interest	661,235	559,549
Loss on unamortized debt cost	327,715	-
Depreciation and amortization	1,880,343	1,803,221
Total expenses and losses	70,608,631	69,211,346
<b>Operating Income (Loss)</b>	9,870,224	(3,165,854)
<b>Other Income (Expense)</b>		
Investment return	55,346	51,938
Investment loss in risk retention group	(83,452)	(347,446)
Total other income (expense)	(28,106)	(295,508)
<b>Excess (Deficiency) of Revenues Over Expenses</b>	\$ 9,842,118	\$ (3,461,362)



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

## Consolidated Statements of Changes in Net Assets Years Ended December 31, 2018 and 2017

	2018	2017
<b>Unrestricted Net Assets</b>		
Excess (deficiency) of revenues over expenses	\$ 9,842,118	\$ (3,461,362)
Increase (decrease) in unrestricted net assets	9,842,118	(3,461,362)
<b>Temporarily Restricted Net Assets</b>		
Contributions received	556,988	474,646
Net assets released from restriction	(210,249)	(1,376,535)
Increase (decrease) in temporarily restricted net assets	346,739	(901,889)
<b>Change in Net Assets</b>	10,188,857	(4,363,251)
<b>Net Assets, Beginning of Year</b>	2,595,188	6,958,439
<b>Net Assets, End of Year</b>	\$ 12,784,045	\$ 2,595,188

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

## Consolidated Statements of Cash Flows Years Ended December 31, 2018 and 2017

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Receipts from and on behalf of patients	\$ 60,979,513	\$ 55,541,716
Receipts from supplemental program and other operating receipts	14,241,816	8,366,785
Payments to employees and suppliers	(68,547,693)	(66,243,446)
Investment earnings received	55,346	51,357
Interest paid	(713,994)	(532,674)
	<u>6,014,988</u>	<u>(2,816,262)</u>
Net cash provided by (used in) operating activities		
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposition of investments	927,109	-
Purchase of property and equipment	(464,037)	(2,385,944)
	<u>463,072</u>	<u>(2,385,944)</u>
Net cash provided by (used in) investing activities		
<b>Cash Flows from Financing Activities</b>		
Proceeds from contributions restricted for:		
Investment in property and equipment	556,988	474,646
Other financing activities:		
Payment of deferred financing costs	(205,890)	-
Proceeds from issuance of long-term debt	4,951,734	1,491,410
Principal paid on long-term debt	(6,367,549)	(1,131,863)
	<u>(1,064,717)</u>	<u>834,193</u>
Net cash provided by (used in) financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	5,413,343	(4,368,013)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,381,432</u>	<u>5,749,445</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 6,794,775</u>	<u>\$ 1,381,432</u>

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

## Consolidated Statements of Cash Flows (Continued) Years Ended December 31, 2018 and 2017

	2018	2017
<b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities</b>		
Change in net assets	\$ 10,188,857	\$ (4,363,251)
Adjustments to reconcile net income (loss) to net cash provided by (used in) by operating activities:		
Depreciation and amortization	1,880,343	1,803,221
Amortization of debt issuance cost	-	36,499
Loss on unamortized bond cost	327,715	-
Provision for uncollectible accounts	4,909,463	4,427,074
Unrealized loss on investments	-	259,009
Contributions restricted for long-term investments	(556,988)	(474,646)
Changes in assets and liabilities:		
Increase in patient accounts receivable	(5,493,345)	(4,290,565)
Increase in estimated amounts due from or to third-party payers	(4,028,763)	(2,857,261)
Increase in inventory	(20,871)	(49,413)
Decrease in other assets	336,834	(200,968)
Decrease in accounts payable and accrued expenses	(1,364,456)	2,774,868
Decrease in other liabilities	(163,801)	119,171
Net cash provided by (used in) operating activities	\$ 6,014,988	\$ (2,816,262)
<b>Supplemental Cash Flows Information</b>		
Capital lease obligations incurred for capital assets	\$ 475,125	\$ 571,819
Change in assets held for 457(b) plan	78,578	76,509

# **Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

### **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 Rehoboth McKinley Christian Health Care Services, Inc. (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 affiliated organizations. 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.

#### ***Principles of Consolidation***

The consolidated financial statements include the accounts of the Hospital and Foundation. All material intercompany accounts 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, 2018 and 2017, cash equivalents consisted primarily of money market accounts and repurchase agreements.

At December 31, 2018, the Hospital's cash accounts exceeded federally insured limited and pledged collateral by approximately \$4,000,000.

# **Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

### ***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. Investment income or loss includes realized and unrealized gains and losses on investments, interest and dividends.

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 and under indenture agreements. Amounts required to meet current liabilities of the Hospital are included in current assets.

### ***Patient Accounts Receivable***

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Hospital records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

On a monthly basis, the Hospital evaluates patient accounts receivable balances older than six months to determine collectability. Accounts are considered uncollectible when there has been no recent payment activity and no other indication that payment will be received. Those balances that are considered uncollectible are written off upon approval from the Director of Patient Financial Services, Chief Financial Officer and Chief Executive Officer, depending on the balance of the account. During 2018 and 2017, the Hospital wrote off approximately \$2.2 million and \$4.4 million, respectively, to the provision for uncollectible accounts. The Hospital's allowance for doubtful accounts was approximately 59% of patient accounts receivable at December 31, 2018 and 2017. The Hospital did not change its charity care or uninsured discount policies during fiscal years 2018 and 2017.

### **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.

### **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.

# **Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

### ***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. During December 31, 2017, the Hospital recognized a loss on unamortized debt issuance costs of \$327,715 for the bond debt that was paid off.

### ***Net Assets With Donor Restrictions***

Net assets with donor restrictions are those whose use by the Hospital has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Hospital in perpetuity.

### ***Net Patient Service Revenue***

The Hospital has agreements with third-party payers that provide for payments for the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period that related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

### ***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 and unpaid cost of services were approximately \$1,323,727 and \$1,482,000 during the years ended December 31, 2018 and 2017, respectively.

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. 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 statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. (Gifts and investment

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.)

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

### ***Excess of Revenues Over Expenses***

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, 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 its wholly owned subsidiary 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.



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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

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 2015 for its federal and state filings.

### ***Electronic Health Records Incentive Program***

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009*, provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR).

Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payment under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period.

The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Hospital recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The Hospital has recorded revenue of approximately \$0 and \$644,976 for 2018 and 2017, respectively, which is included in other revenue within operating revenues in the statement of operations.

### ***Reclassifications***

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### Note 2: Net Patient Service Revenue

The Hospital recognizes patient service revenue associated with services provided to patients who have third-party payer coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, a significant portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided. This provision for uncollectible accounts is presented on the statement of operations as a component of net patient service revenue.

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

*Medicare.* Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

*Medicaid.* Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonable possible that recorded estimates will change materially in the near term.

Revenue from Medicare and Medicaid programs accounted approximately 67% and 69%, respectively, of the Hospital's net patient service revenue for the years ended December 31, 2018 and 2017.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

During 2018, net patient service revenue was increased by approximately \$4,100,000 as a result of the Centers for Medicare and Medicaid Services (CMS) determining the Hospital qualified for low volume adjustments for 2012-2017.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the years ended December 31, 2018 and 2017, and respectively was:

	<b>2018</b>	<b>2017</b>
Medicare	\$ 20,336,296	\$ 19,177,392
Medicaid	27,046,244	22,943,303
Other third-party payers	18,051,952	12,830,012
Patients	5,257,896	4,625,499
	70,692,388	59,576,206
Less provision uncollectible accounts	4,909,463	4,427,074
	<b>\$ 65,782,925</b>	<b>\$ 55,149,132</b>

### Safety Net Care Pool 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, 2018 and 2017, totaled approximately \$5.7 million and \$3.9 million, respectively. Of this balance approximately \$2.9 and \$1.9 million was a receivable as of December 31, 2018 and 2017, respectively.

The SNCP program is subject to ongoing review by HHS 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.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### 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, 2018 and 2017, is:

	2018	2017
Medicare	26%	25%
Medicaid	20%	43%
Other third-party payers	45%	24%
Patients	9%	8%
Totals	100%	100%

### Note 4: Assets Limited as to Use

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

	2018	2017
Held by trustee under indenture agreement related to Series 2007 Revenue Bond - cash equivalents	\$ -	\$ 927,109
Irrevocable trust- 457(b) plan		
Cash and cash equivalents	\$ 67,484	\$ 40,271
U.S. equity securities	261,684	303,141
Mutual funds	24,038	77,578
U.S. government securities	116,400	127,194
Total of irrevocable trust - 457(b) plan	469,606	548,184
	\$ 469,606	\$ 1,475,293

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### 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, 2018 and 2017:

	Balance 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	-	-
	<u>\$ 402,122</u>	<u>\$ 285,722</u>	<u>\$ 116,400</u>	<u>\$ -</u>

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

	Balance at December 31, 2017	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	\$ 303,141	\$ 303,141	\$ -	\$ -
U.S. treasury notes	127,194	-	127,194	-
Mutual funds	77,578	77,578	-	-
	<u>\$ 507,913</u>	<u>\$ 380,719</u>	<u>\$ 127,194</u>	<u>\$ -</u>

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, 2018 and 2017.

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, 2018 and 2017.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### Note 6: Long-Term Debt

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

	2018	2017
Series 2007A bonds (A)	\$ -	\$ 4,522,513
USDA Loan (B)	4,900,105	-
Notes payable and line of credit (C)	1,532,750	2,952,335
Capital lease obligations (D)	875,308	778,528
	7,308,163	8,253,376
Less unamortized debt issuance costs	(199,068)	(352,382)
Less current maturities	(1,212,224)	(3,495,838)
	\$ 5,896,871	\$ 4,405,156

(A) In March 2007, the Hospital issued the Series 2007A New Mexico Hospital Equipment Loan Council Hospital Facility Refunding and Improvement Bonds to refund the outstanding Series 1996 and Series 2000 bonds, to finance the costs of issuance for the Series 2007A bonds. The Refunding and Improvement Bond Master Trust Indenture (the Indenture) requires the Hospital to make monthly deposits with a trustee for payment on the bonds.

The Series 2007a bonds accrued interest at 5.00% through 2017, and thereafter accrue at 5.25%. The bonds mature in August 2026, and are collateralized by the lease between the Hospital and McKinley, County, New Mexico, and buildings, equipment, machinery and fixture owned by the Hospital, and are secured by pledged revenues.

The Hospital is subject to certain bond covenant requirements specified in the Series 2007A bond agreement, including limits on the incurrence of additional debt and certain measure of financial performance. As of December 31, 2017, the Hospital was not in compliance with bond covenant requirements. The Hospital received a waiver from the bond holders documenting that the debt would not be called before December 31, 2018. In 2018, the Hospital obtained new financing to pay off the bonds.

(B) On June 27, 2018, the Hospital entered into a loan agreement with The First National Bank of McGregor for \$4,951,734. Per the agreement, the Hospital has to use the proceeds to refinance debt originally owed to the New Mexico Bond Council and other creditors for approximately \$4,797,169, used to pay application and closing costs for approximately \$118,842, and the remainder of approximately \$35,723 used for working capital.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

- (C) On February 15, 2016, the Hospital entered into a line of credit agreement with Pinnacle Bank totaling \$1,200,000 to provide additional financing for the EHR system implementation. The line of credit bears an interest rate of 4.5% and must be paid in full on December 31, 2018. On December 31, 2018, this line was paid in full.

On October 11, 2017, the Hospital entered into a line of credit agreement with a Pinnacle Bank totaling \$1,500,000 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, 2018, the Hospital had drawn \$1,491,410 on the line of credit.

On July 15, 2016, the Hospital entered into a purchase agreement for equipment and real property in addition to an assumption of two loans with Dr. Flor Gonzaga for a total of \$330,000. The agreement assigns a different interest rate for each ranging from 2.5%-10.28%. On December 31, 2018 these notes were all paid off with the refinancing of the bond.

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, 2018, the outstanding balance for the loan is \$45,863.

- (D) The cost of equipment under capital leases is included in property, plant and equipment in the consolidated statements of financial position and was \$594,138 and \$780,120 at December 31, 2018 and 2017, respectively. Amortization of assets under capital leases is included in depreciation and amortization expense in the consolidated statements of activities. The capital leases expire at various dates through 2021, and accrue interest at rates ranging from 5%-9.3%.



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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

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

	USDA Loan	Capital Lease Obligations	Notes Payable and Line of Credit
2019	\$ 407,940	\$ 405,147	\$ 762,937
2020	407,940	323,619	754,347
2021	407,940	237,200	12,937
2022	407,940	-	11,859
2023	407,940	-	-
Thereafter	<u>7,271,651</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,311,351</u>	<u>\$ 965,966</u>	<u>\$ 1,542,080</u>
Less amount representing interest	<u>4,679,011</u>	<u>78,690</u>	<u>4,808</u>
Present value of future minimum lease payments	4,632,340	887,276	1,537,272
Less current maturities	<u>91,610</u>	<u>760,892</u>	<u>359,712</u>
Noncurrent portion	<u>\$ 4,540,730</u>	<u>\$ 126,384</u>	<u>\$ 1,177,560</u>

### Note 7: Operating Leases

The Hospital has a facility lease agreement with McKinley County, New Mexico extending through August 31, 2028, for the use of the hospital and dialysis building. The annual rent paid to the 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 reevaluated based on updated appraisals reviewed and concurred by the Property Tax Division of the New Mexico Taxation and Revenue Department. As of December 31, 2018, the Hospital had \$2,150,000 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 McKinley 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, 2018, are as follows:

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

2019	\$	2,493,047
2020		2,576,535
2021		2,628,301
2022		2,433,115
2023		1,752,460
Later years		7,205,568
Future minimum lease payments	\$	19,089,026

### **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, 2018 and 2017, to cover claims which have been incurred but not reported. Such reserves were approximately \$485,000 and \$499,000 at December 31, 2018 and 2017, respectively.

### **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 \$83,452, from a total pool of \$1,065,965, for 2018 and a decrease of \$347,446, from a total pool of \$4,362,523, for 2017.

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, 2018 and 2017, 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, 2018 and 2017. It is reasonably possible that this estimate could change materially in the near term.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### Note 10: 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:

	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	11,579,092	4,693,027	105,397	16,377,516
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	<u>\$ 54,128,228</u>	<u>\$ 16,312,596</u>	<u>\$ 167,807</u>	<u>\$ 70,608,631</u>

The following schedule presents the functional classification of expenses for the year ended December 31, 2017:

Health care services	\$ 49,538,646
General and administrative	19,519,715
Fundraising	152,985
	<u>\$ 69,211,346</u>

### Note 11: Pension 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, 2018 and 2017, accrued employer contributions of approximately \$116,000 and \$114,000, 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

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

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, 2018 and 2017, was \$469,606 and \$548,184, respectively.

### Note 12: 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, 2018 and 2017, comprise the following:

	<b>2018</b>	<b>2017</b>
Financial assets at year end		
Cash and cash equivalents	\$ 6,794,775	\$ 1,381,432
Patient accounts receivable, net	8,568,311	7,984,429
Estimated amounts due from third-party payers	2,980,641	1,943,527
Mill levy receivable	977,244	733,379
Other receivables	125,833	1,131,460
Assets limited as to use	469,606	1,475,293
Investment in risk retention group	1,853,617	1,811,236
Total financial assets	21,770,027	16,460,756
Less amounts not available to be used within one year		
Assets limited as to use	469,606	1,475,293
Other assets	1,853,617	1,811,236
Financial assets not available to be used within one year	2,323,223	3,286,529
Financial assets available to meet general expenditures within one year	\$ 19,446,804	\$ 13,174,227

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### Note 13: 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 costs \$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, 2018 only the chief executive officer is employed by HCI, LLC. The Hospital incurred expenses of approximately \$635,000 (\$282,000 for manager fees and \$353,000 for salaries) and \$639,000 (\$282,000 for manager fees and \$357,000 for salaries) in 2018 and 2017, respectively, under these management agreements. As of December 31, 2018 and 2017, the Hospital owed \$0 and \$51,247, respectively, for management services which is reported as a portion of accounts payable.

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 \$92,000 for maintenance and repair services and expended approximately \$80,000 for equipment and related installation during the year ended December 31, 2018.

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 14: 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:

#### ***Allowance for Net Patient Service Revenue Adjustments***

Estimates of allowances for adjustments included in net 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

# **Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary**

## **Notes to Consolidated Financial Statements December 31, 2018 and 2017**

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 15: Subsequent Events**

Subsequent events have been evaluated through November 26, 2019, which is the date that consolidated financial statements were available to be issued.

### **Note 16: 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 annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 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.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

### **Revenue Recognition**

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract.

The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. The Hospital is in the process of evaluating the impact the amendment will have on the financial statements.

### **Note 17: Change in Accounting Principle**

In 2018, the Hospital, adopted ASU 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

#### **Balance Sheet**

- The balance sheet distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

#### **Statement of Operations and Changes in Net Assets**

- Expenses are reported by both nature and function.

#### **Notes to the Financial Statements**

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the balance sheet.

This change had no impact on previously reported total change in net assets.

**New Mexico State Auditor's  
Required Supplementary Information**



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

## Schedule of Pledged Collateral December 31, 2018

### Deposits

Financial Institution	Total Deposits in Bank	Insured Portion	Required Collateralization 50% of Uninsured Portion	Collateral Pledged	Over/(Under) Collateralized
Wells Fargo Bank	\$ 215,470	\$ 215,470	\$ -	\$ -	\$ -
U.S. Bank	759,313	250,000	254,657	-	(254,657)
Bank of Colorado - Pinnacle Bank (Western Foundation Accounts)	721,297	250,000	235,649	-	(235,649)
Bank of Colorado - Pinnacle Bank (RMCHCS Accounts)	4,140,873	250,000	1,945,437	794,631	(1,150,806)
<b>Total</b>	<b>\$ 5,836,953</b>	<b>\$ 965,470</b>	<b>\$ 2,435,743</b>	<b>\$ 794,631</b>	<b>\$ (1,641,112)</b>

### 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	\$ 1,390,259	\$ -	\$ 1,418,064	\$ 1,407,671	\$ (10,393)

### Pledged Collateral

Type of Security	Financial Institution	CUSIP Number	Maturity Date	Fair Value at December 31, 2018
GN-IIMA1449	Wells Fargo	3132QPN26	5/1/2045	\$ 1,407,671
FHLMC G18552	Pinnacle Bank	3128HHTJ2	5/1/2030	794,631
				<u>\$ 2,202,302</u>

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

## Schedule of Deposits and Investments December 31, 2018

Account Title	Account Type	Bank Balance	Reconciling Items	Book Balance
<i>Cash and Cash Equivalents</i>				
<b>Wells Fargo Bank</b>				
Operational	Operating	\$ 127,285	\$ 515,464	\$ 642,749
Operational	Depository	-	3,673	3,673
Operational	Accounts payable	-	(959,867)	(959,867)
Operational	Payroll	-	(5,726)	(5,726)
Operational	Pension	33,911	-	33,911
Operational	Urgent Care	54,274	6,738	61,012
<b>U.S. Bank</b>				
Athena Account	Checking	565,488	-	565,488
East Campus Projects	Checking	52,637	-	52,637
Urgent Care	Checking	141,188	-	141,188
<b>Bank of Colorado - Pinnacle Bank</b>				
Foundation Unrestricted	Checking	550	-	550
Foundation Restricted	Money market account	638,091	-	638,091
Foundation Restricted	Checking	4,285	-	4,285
Foundation Unrestricted	Money market account	78,371	-	78,371
Operational	Money market account	3,004,474	-	3,004,474
Grants	Checking	8,116	-	8,116
Mill Levy Proceeds	Checking	1,107,107	-	1,107,107
Auxiliary - Gift Shop	Checking	5,165	-	5,165
Auxiliary - General Account	Checking	16,011	-	16,011
		<u>5,836,953</u>	<u>(439,718)</u>	<u>5,397,235</u>
<b>Wells Fargo Bank</b>				
Repurchase Agreement	Sweep	1,390,259	-	1,390,259
<b>Other</b>				
Petty Cash	Cash	7,281	-	7,281
		<u>7,281</u>	<u>-</u>	<u>7,281</u>
		<u>\$ 7,234,493</u>	<u>\$ (439,718)</u>	<u>\$ 6,794,775</u>
<i>Other Investments</i>				
<b>Zia Trust</b>				
Irrevocable trust - 457(b) plan	Cash equivalent	\$ 67,484	\$ -	\$ 67,484
Irrevocable trust - 457(b) plan	U.S. equity securities	261,684	-	261,684
Irrevocable trust - 457(b) plan	Mutual funds	24,038	-	24,038
Irrevocable trust - 457(b) plan	U.S. government securities	116,400	-	116,400
		<u>\$ 469,606</u>	<u>\$ -</u>	<u>\$ 469,606</u>

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

## Indigent Care Cost and Funding Report December 31, 2018

		For the Years Ended December 31,		
		2018	2017	2016
<b>A Funding for Indigent Care</b>				
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>B Cost of Providing Indigent Care</b>				
	Total cost of care for providing services to:			
B1	Uninsured patients qualifying for indigent care	461,747	701,707	501,089
B2	Patients qualifying for coverage under EMSA	-	-	-
B3	Cost of care related to patient portion of bill for insured patients qualifying for indigent care	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	623,002	701,707	501,089
<b>Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care</b>		<u>\$ (623,002)</u>	<u>\$ (701,707)</u>	<u>\$ (501,089)</u>
<b>C Patients Receiving Indigent Care Services</b>				
C1	Total number of patients receiving indigent care	504	2,339	1,467
C2	Total number of patient encounters receiving indigent care	1,241	2,339	1,467

**Note on schedule:** Prior year amounts have been updated to reflect corrected ratio of cost to charges.

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

## Calculations of Cost of Providing Indigent Care December 31, 2018

	For the Years Ended December 31,		
	2018	2017	2016
<b>Uninsured Patients Qualifying for Indigent Care</b>			
Charges for these patients	\$ 1,617,559	\$ 2,142,596	\$ 1,330,014
Ratio of cost to charges	28.5%	32.8%	37.7%
Cost for uninsured patient qualifying for indigent care	\$ 461,747	\$ 701,707	\$ 501,089
<b>Patients Qualifying for Coverage Under Emergency Medical Services for Aliens (EMSA)</b>			
Charges for these patients	\$ -	\$ -	\$ -
Ratio of cost to charges	28.5%	32.8%	37.7%
Cost for patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	\$ -	\$ -	\$ -
<b>Cost of Care Related to Patient Portion of Bill for Insured Patients Qualifying for Indigent Care</b>			
Charges for these patients	\$ 564,898	\$ -	\$ -
Ratio of cost to charges	28.5%	32.8%	37.7%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	\$ 161,255	\$ -	\$ -
<b>Direct Costs Paid to Other Providers on Behalf of Patients Qualifying for Indigent Care</b>			
Payments to other providers for care of these patients	\$ -	\$ -	\$ -

**Note on schedule:** Prior year amounts have been updated to reflect corrected ratio of cost to charges.

**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, 2018, 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 November 26, 2019, 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 2018-001 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 2018-002 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 2018-003 through 2018-006.

### ***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  
November 26, 2019

**Rehoboth McKinley Christian Health Care Services, Inc.  
and Subsidiary  
Summary of Audit Results  
December 31, 2018**

Type of Auditor Report Issued:

- Unmodified

Categories of Findings Identified for Internal Control over Financial Reporting:

- Material weakness
- Significant deficiency

**Rehoboth McKinley Christian Health Care Services, Inc.  
and Subsidiary  
Schedule of Findings and Responses  
Year Ended December 31, 2018**

**Section I — Financial Statement Findings**

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

*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 account reconciliation issues are as follows:

- The December 31, 2018, Depository and Operating cash account reconciliations were not completed until after the audit began and five months subsequent to year-end. The operating cash account reconciliation, when provided, resulted in a \$124,234 adjustment to cash and accounts payable to remove an outstanding check that was mistakenly included. The Depository cash account reconciliation, when provided, resulted in adjustments of: \$849,572 to increase cash, \$241,146 to increase accounts receivable, \$1,190,946 to increase net patient service revenue, and \$100,228 to decrease operating expenses.
- The 2017 audit adjustments were not recorded, and resulted in an adjustment of \$763,407 to beginning net assets.
- The liability accruals for accrued payroll were understated by approximately \$163,000.
- Accrued self-funded health insurance exceeded reasonable estimates by approximately \$250,000.
- Accrued pension liability included \$114,052 for 2017 employer pension estimate that was ultimately not approved and funded.

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.

*Management’s Response:* Management will develop a monthly closing calendar that identifies balance sheet accounts to be analyzed and reconciled. The account analysis is to be approved by the accounting manager and CFO quarterly.

*Person Responsible:* CFO/Controller



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

## Schedule of Findings and Responses (Continued) Year Ended December 31, 2018

### Section I — Financial Statement Findings – Continued

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

*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:*

Management has made some changes, in response to the prior year finding, but 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.

*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 agrees that segregation of duties is an important accounting process. However, management is aware that small hospitals have a continuing challenge with a lack of resources/staff that compounds this issue. Management will assess these three areas and see where improvements can be made.

*Person Responsible:* CFO/Controller

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

**Schedule of Findings and Responses (Continued)  
Year Ended December 31, 2018**

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

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

*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:* Three 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 2017 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:* Although we believe the 24 hour rule is a reasonable goal, after further discussions with the RMCHCS attorney, management disagrees that we are subject to the New Mexico Public Money Act, as we are not a governmental entity. As such, we will not be abiding by a strict 24 hour deposit rule at this time.

*Person Responsible:* CFO/Controller

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

## Schedule of Findings and Responses (Continued) Year Ended December 31, 2018

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

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

*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, 2018, the Hospital had bank deposits totaling of \$5,714,641. State law requires that \$2,418,678 of these bank deposits be collateralized, but the pledged collateral related to specific accounts fell \$487,888 below the state requirements, in the aggregate. In addition, at December 31, 2018, the Hospital held a repurchase agreement in the amount of \$1,390,259. State law requires that \$1,418,064 be collateralized, but the collateral for this agreement was only \$1,407,671, which was \$10,393 below the state requirements. It appears there has been lack of progress in implementing 2017 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) coverage 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:* Management will comply with adequate collateral being in place for all deposits.

*Person Responsible:* CFO/Controller

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

**Schedule of Findings and Responses (Continued)  
Year Ended December 31, 2018**

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

**2018–005 – Compliance with Annual Reporting Requirements (Other Noncompliance)**

*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, 2018, the County had requested information from the Hospital that had not been submitted to the County.

*Cause:* The Hospital disagrees 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:* After many months of negotiations with McKinley County regarding this issue, at a September 2019 board meeting, the RMCHCS board of trustees agreed to provide the county all the information they had been requesting on this matter. Such information has been submitted to McKinley County and/or their independent auditors.

*Person Responsible:* CFO/Controller

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

**Schedule of Findings and Responses (Continued)  
Year Ended December 31, 2018**

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

**2018-006 – Compliance with Facility Lease Payments (Other Noncompliance)**

*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, 2018, 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, 2018.

*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:* As stated above, in prior years, the Hospital faced serious cash flow issues, and entered into a mutually agreed upon rent repayment plan with McKinley County to have the past due balance completely repaid by February 2023. As of December 31, 2018, the Hospital was actually one payment ahead on the approved repayment plan.

*Person Responsible:* CFO/Controller

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

**Current Status of 2017 Audit Findings  
Year Ended December 31, 2018**

<b>Prior-Year Number</b>	<b>Description</b>	<b>Current Status</b>
2017-001	Accuracy and Timeliness of Account Reconciliations	Repeated and Modified
2017-002	Segregation of Duties	Repeated and Modified
2017-003	Untimely Cash Deposits	Repeated and Modified
2017-004	Travel and Per Diem	Resolved
2017-005	Collateralization of Public Funds	Repeated and Modified

**Rehoboth McKinley Christian Health Care Services, Inc.  
and Subsidiary  
Corrective Action Plan  
Year Ended December 31, 2018**

<b>Audit Findings</b>	<b>Management's Corrective Action Plan</b>	<b>Person Responsible</b>	<b>Estimated Completion Date</b>
2018-001 – Accuracy and Timeliness of Account Reconciliation	The Finance Department will work on a monthly closing calendar to get all accounts analyzed and reconciled.	CFO/Controller	09/30/2019
2018-002 – Segregation of Duties	The Hospital realizes the importance of segregation of duties and management will be assessing each situation to become as segregated as possible with the staffing and resource limitations.	CFO/Controller	09/30/2019
2018-003 – Untimely Cash Deposits	Management will engage a service to provide deposit pick-up so that 24 hour deposits can be met	CFO/Controller	09/30/2019
2018-004 – Collateralization of Public Funds	The Hospital is working with the Financial institutions to correct the collateralization issues	CEO/CFO	09/30/2019
2018-005 – Compliance with Annual Reporting Requirements	RMCHCS has provided McKinley County all documents requested	CFO/Controller	09/20/2019
2018-006 – Compliance with Facility Lease Payments	Continue to make rent payments to McKinley County, as per February 2018 repayment schedule	CFO/Controller	On Going

# **Rehoboth McKinley Christian Health Care Services, Inc. and Subsidiary**

## **Exit Conference and Board of Trustees Presentation**

An exit conference was held on May 29, 2019, with the following attending:

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

David Conejo, CEO

Jay Hodges, CFO

Ken Zylstra, Board Treasurer and Finance Committee Chair

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.