

PUBLIC DISCLOSURE COPY

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

2017Department of the Treasury
Internal Revenue Service

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter social security numbers on this form as it may be made public.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.**Open to Public Inspection****A** For the 2017 calendar year, or tax year beginning

06/01, 2017, and ending

05/31, 2018

B Check if applicable:

- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Final return/terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization

TAOS HEALTH SYSTEMS, INC.

Doing business as HOLY CROSS HOSPITAL

Number and street (or P.O. box if mail is not delivered to street address)

1397 WEIMER RD.

Room/suite

City or town, state or province, country, and ZIP or foreign postal code

TAOS, NM 87571

F Name and address of principal officer:

WILLIAM PATTEN

1397 WEIMER RD. TAOS, NM 87571

D Employer identification number

85-0289839

E Telephone number

(575) 758-8883

G Gross receipts \$ 63,450,525.**H(a)** Is this a group return for subordinates? ☐ Yes ☒ No**H(b)** Are all subordinates included? ☐ Yes ☐ No

If "No," attach a list. (see instructions)

I Tax-exempt status: ☒ 501(c)(3) ☐ 501(c)() (insert no.) ☐ 4947(a)(1) or ☐ 527**J** Website: ▶ HTTP://HOLYCROSSMEDICALCENTER.ORG**H(c)** Group exemption number ▶**K** Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶**L** Year of formation: 1980**M** State of legal domicile: NM**Part I Summary**

Activities & Governance	1	Briefly describe the organization's mission or most significant activities: TO PROVIDE OUR COMMUNITY WITH THE BEST HEALTH CARE CHOICES CLOSE TO HOME IN AN ENVIRONMENT OF CONTINUAL IMPROVEMENT.	
	2	Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.	
	3	Number of voting members of the governing body (Part VI, line 1a)	13.
	4	Number of independent voting members of the governing body (Part VI, line 1b)	12.
	5	Total number of individuals employed in calendar year 2017 (Part V, line 2a)	524.
	6	Total number of volunteers (estimate if necessary)	100.
	7a	Total unrelated business revenue from Part VIII, column (C), line 12	0.
7b	Net unrelated business taxable income from Form 990-T, line 34		
Revenue	8	Contributions and grants (Part VIII, line 1h)	Prior Year: 1,287,767. Current Year: 989,115.
	9	Program service revenue (Part VIII, line 2g)	60,129,660. 59,368,734.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	133,445. 12,502.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	627,066. 514,075.
	12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	62,177,938. 60,884,426.
	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)
14		Benefits paid to or for members (Part IX, column (A), line 4)	0. 0.
15		Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	30,034,468. 32,205,099.
16a		Professional fundraising fees (Part IX, column (A), line 11e)	0. 0.
b		Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.	
17		Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	32,194,234. 33,715,797.
18		Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	62,245,562. 65,970,984.
19	Revenue less expenses. Subtract line 18 from line 12	-67,624. -5,086,558.	
Net Assets or Fund Balances	20	Total assets (Part X, line 16)	Beginning of Current Year: 34,363,099. End of Year: 33,955,803.
	21	Total liabilities (Part X, line 26)	11,849,414. 16,529,944.
	22	Net assets or fund balances. Subtract line 21 from line 20	22,513,685. 17,425,859.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

Date



Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

ADAM R SMITH CPA

Preparer's signature

Date

Check ☐ if self-employed

PTIN

P00958966

Firm's name ▶ BKD, LLP

Firm's EIN ▶ 44-0160260

Firm's address ▶ 111 SOUTH TEJON, SUITE 800 COLORADO SPRINGS, CO 80903-9848

Phone no. 719 471-4290

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Form **990** (2017)

Cumulative e-File History 2017

FED

Tax Return

8237HS

Return Type

990

Taxpayer

Taos Health Systems, Inc.

Submitted Date	2018-08-29 10:48:33
-----------------------	---------------------

Acknowledgement Date	2018-08-29 10:56:29
-----------------------------	---------------------

Status	Accepted
---------------	----------

Submission ID	84022720182415000003
----------------------	----------------------

Part III Statement of Program Service AccomplishmentsCheck if Schedule O contains a response or note to any line in this Part III ☐**1** Briefly describe the organization's mission:

TO PROVIDE OUR COMMUNITY WITH THE BEST HEALTH CARE CHOICES CLOSE TO
HOME IN AN ENVIRONMENT OF CONTINUAL IMPROVEMENT.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

If "Yes," describe these new services on Schedule O.

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.**4a** (Code:) (Expenses \$ 52,735,434. including grants of \$ 50,088.) (Revenue \$ 59,580,895.)

ACUTE CARE HOSPITAL OPERATIONS INCLUDING 1,514 INPATIENT
ADMISSIONS, 43,911 OUTPATIENT VISITS AND 14,602 EMERGENCY
DEPARTMENT VISITS. ADDITIONALLY, CLINIC VISITS TOTALING 21,408 FROM
THE FOLLOWING: TAOS SURGICAL SERVICES - 6,040; WOMEN'S HEALTH
INSTITUTE - 7,074; HIGH ROAD DERMATOLOGY - 5,071; PRIMARY CARE -
3,223.

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)**4c** (Code:) (Expenses \$ including grants of \$) (Revenue \$)**4d** Other program services (Describe in Schedule O.)

(Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses ► 52,735,434.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A.	1 X	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)?	2 X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I.	3	X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II.	4 X	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III.	5	X
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I.	6	X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II.	7	X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III.	8 X	
9 Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV.	9	X
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V.	10 X	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI.	11a X	
b Did the organization report an amount for investments-other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII.	11b	X
c Did the organization report an amount for investments-program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII.	11c	X
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX.	11d	X
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X.	11e X	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X.	11f	X
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII.	12a	X
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional.	12b X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E.	13	X
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV.	14b	X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV.	15	X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV.	16	X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions).	17	X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II.	18 X	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III.	19	X

Part IV Checklist of Required Schedules (continued)

	Yes	No
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H.</i>	20a X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b X	
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II.</i>	21	X
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III.</i>	22 X	
23 Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J.</i>	23 X	
24a Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a.</i>	24a	X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b	
c Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c	
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d	
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I.</i>	25a	X
b Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I.</i>	25b	X
26 Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If "Yes," complete Schedule L, Part II.</i>	26	X
27 Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III.</i>	27	X
28 Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV.</i>	28a	X
b A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV.</i>	28b	X
c An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV.</i>	28c	X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M.</i>	29	X
30 Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M.</i>	30	X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I.</i>	31	X
32 Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II.</i>	32	X
33 Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I.</i>	33 X	
34 Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1.</i>	34	X
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	X
b If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2.</i>	35b	
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2.</i>	36	
37 Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI.</i>	37	X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O.	38 X	

Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response or note to any line in this Part V ☐

		Yes	No
1a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a 139		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b 0.		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c		
2a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a 524		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	X	
3a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a		X
b If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O.	3b		
4a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		X
b If "Yes," enter the name of the foreign country: <input type="text"/> See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).			
5a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		X
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		X
c If "Yes" to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a		X
b If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		X
b If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		X
d If "Yes," indicate the number of Forms 8282 filed during the year	7d		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		X
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		X
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8 Sponsoring organizations maintaining donor advised funds. Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?	8		
9 Sponsoring organizations maintaining donor advised funds.			
a Did the sponsoring organization make any taxable distributions under section 4966?	9a		
b Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?	9b		
10 Section 501(c)(7) organizations. Enter:			
a Initiation fees and capital contributions included on Part VIII, line 12	10a		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b		
11 Section 501(c)(12) organizations. Enter:			
a Gross income from members or shareholders	11a		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	11b		
12a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a		
b If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O.	13a		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b		
c Enter the amount of reserves on hand	13c		
14a Did the organization receive any payments for indoor tanning services during the tax year?	14a		X
b If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b		

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI ☒ **X**

Section A. Governing Body and Management

	Yes	No
1a Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.		
1b Enter the number of voting members included in line 1a, above, who are independent		
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person? . .		X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6 Did the organization have members or stockholders?		X
7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		X
7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?	X	
b Each committee with authority to act on behalf of the governing body?	X	
9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
10a Did the organization have local chapters, branches, or affiliates?		X
10b If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes? . .		
11a Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form? .	X	
11b Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
12b Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
12c Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
13 Did the organization have a written whistleblower policy?	X	
14 Did the organization have a written document retention and destruction policy?	X	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a The organization's CEO, Executive Director, or top management official	X	
b Other officers or key employees of the organization	X	
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
16a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	X	
16b If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	X	

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed **NM**,
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)
- 19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, address, and telephone number of the person who possesses the organization's books and records: **▶**
 STEVE ROZENBOOM 1397 WEIMER RD. TAOS, NM 87571 575-758-8883

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response or note to any line in this Part VII. ☐**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) DAN GUTTMAN BOARD MEMBER	1.00 0.	X						0.	0.	0.
(2) KAREN MATHERLEE VICE CHAIR	1.00 0.	X		X				0.	0.	0.
(3) GREGORY TRUJILLO BOARD MEMBER	1.00 0.	X						0.	0.	0.
(4) ANDY TORRES SECRETARY	1.00 0.	X		X				0.	0.	0.
(5) BRUCE COLEMAN TREASURER	1.00 0.	X		X				0.	0.	0.
(6) CISCO GONZALES BOARD MEMBER	1.00 0.	X						0.	0.	0.
(7) FRED PERALTA BOARD MEMBER	1.00 0.	X						0.	0.	0.
(8) JAY CHRIS STAGG CHAIRMAN	1.00 0.	X		X				0.	0.	0.
(9) LUCILLE GALLEGOS-JARAMILLO BOARD MEMBER	1.00 0.	X						0.	0.	0.
(10) TIM MOORE BOARD MEMBER/CHIEF OF STAFF	40.00 0.	X						358,910.	0.	26,373.
(11) JOHN FOSTER BOARD MEMBER	1.00 0.	X						0.	0.	0.
(12) LAWRENCE BERKOWITZ BOARD MEMBER	1.00 0.	X						0.	0.	0.
(13) PAMELA ROMERO BOARD MEMBER - THROUGH 8/2017	1.00 0.	X						0.	0.	0.
(14) PATRICIA SCOTT BOARD MEMBER	1.00 0.	X						0.	0.	0.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(15) STEVE ROZENBOOM CFO	50.00 0.			X				181,299.	0.	25,311.
(16) WILLIAM PATTEN CEO	50.00 0.			X				286,282.	0.	23,161.
(17) AIDEN O'ROURKE PHYSICIAN	40.00 0.					X		424,385.	0.	19,787.
(18) CHRISTOPHER GUTIERREZ PHYSICIAN	40.00 0.					X		434,461.	0.	26,815.
(19) JOHN WELLS PHYSICIAN	40.00 0.					X		391,779.	0.	26,815.
(20) LAUREN GOOD PHYSICIAN	40.00 0.					X		394,915.	0.	26,373.
(21) SHARON RANSOM PHYSICIAN	40.00 0.					X		353,335.	0.	26,373.
1b Sub-total								358,910.	0.	26,373.
c Total from continuation sheets to Part VII, Section A								2,466,456.	0.	174,635.
d Total (add lines 1b and 1c)								2,825,366.	0.	201,008.

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **44**

	Yes	No
3 Did the organization list any former officer, director, or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	X	
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
ATTACHMENT 1		

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **17**

Part VIII Statement of RevenueCheck if Schedule O contains a response or note to any line in this Part VIII. ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns	1a				
	b	Membership dues	1b				
	c	Fundraising events	1c	18,839.			
	d	Related organizations	1d				
	e	Government grants (contributions) . .	1e	862,978.			
	f	All other contributions, gifts, grants, and similar amounts not included above .	1f	107,298.			
	g	Noncash contributions included in lines 1a-1f: \$					
	h	Total. Add lines 1a-1f ▶		989,115.			
Program Service Revenue	2a	MEDICARE/MEDICAID	Business Code 624100	32,515,965.	32,515,965.		
	b	OTHER PATIENT SERVICE REVENUE	624100	22,391,840.	22,391,840.		
	c	INDIGENT FUND REVENUE	624100	4,024,938.	4,024,938.		
	d	INCOME FROM EQUITY INVESTEE	900099	39,344.	39,344.		
	e	MILL LEVY	900099	396,647.	396,647.		
	f	All other program service revenue					
	g	Total. Add lines 2a-2f ▶		59,368,734.			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts). ▶		51,930.		
4		Income from investment of tax-exempt bond proceeds . ▶		0.			
5		Royalties ▶		0.			
			(i) Real (ii) Personal				
6a		Gross rents					
b		Less: rental expenses					
c		Rental income or (loss)					
d		Net rental income or (loss) ▶		0.			
7a		Gross amount from sales of assets other than inventory	(i) Securities (ii) Other				
			302,862. 2,218,544.				
b		Less: cost or other basis and sales expenses		170,740. 2,390,094.			
c		Gain or (loss)		132,122. -171,550.			
d	Net gain or (loss) ▶		-39,428.			-39,428.	
8a	Gross income from fundraising events (not including \$ 18,839. of contributions reported on line 1c). See Part IV, line 18 a		11,514.				
b	Less: direct expenses b		5,265.				
c	Net income or (loss) from fundraising events. ▶		6,249.			6,249.	
9a	Gross income from gaming activities. See Part IV, line 19 a						
b	Less: direct expenses b						
c	Net income or (loss) from gaming activities. ▶		0.				
10a	Gross sales of inventory, less returns and allowances a						
b	Less: cost of goods sold b						
c	Net income or (loss) from sales of inventory. ▶		0.				
Miscellaneous Revenue				Business Code			
11a	FOOD SERVICE INCOME	900099	295,665.			295,665.	
b	OTHER MISC REVENUE	900099	212,161.	212,161.			
c							
d	All other revenue						
e	Total. Add lines 11a-11d ▶		507,826.				
12	Total revenue. See instructions. ▶		60,884,426.	59,580,895.		314,416.	

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐**Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.**

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21	28,569.	28,569.		
2 Grants and other assistance to domestic individuals. See Part IV, line 22	21,519.	21,519.		
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16	0.			
4 Benefits paid to or for members	0.			
5 Compensation of current officers, directors, trustees, and key employees	915,148.	386,623.	528,525.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	0.			
7 Other salaries and wages	26,797,440.	23,429,174.	3,368,266.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	317,564.	281,706.	35,858.	
9 Other employee benefits	2,321,301.	2,067,573.	253,728.	
10 Payroll taxes	1,853,646.	1,620,655.	232,991.	
11 Fees for services (non-employees):				
a Management	0.			
b Legal	440,491.		440,491.	
c Accounting	85,917.		85,917.	
d Lobbying	5,906.		5,906.	
e Professional fundraising services. See Part IV, line 17	0.			
f Investment management fees	0.			
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O.) ATCH 2	11,621,968.	9,404,415.	2,217,553.	
12 Advertising and promotion	125,881.		125,881.	
13 Office expenses	2,081,462.	1,192,692.	888,770.	
14 Information technology	265,642.		265,642.	
15 Royalties	0.			
16 Occupancy	2,243,048.	951,650.	1,291,398.	
17 Travel	119,231.	27,555.	91,676.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	0.			
19 Conferences, conventions, and meetings	3,262.		3,262.	
20 Interest	114,574.		114,574.	
21 Payments to affiliates	0.			
22 Depreciation, depletion, and amortization	1,951,517.	1,445,121.	506,396.	
23 Insurance	1,680,082.	450,400.	1,229,682.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a BAD DEBT EXPENSE	3,580,017.	3,580,017.		
b MEDICAL SUPPLIES	7,586,138.	7,498,330.	87,808.	
c REPAIRS & MAINTENANCE	1,460,134.	229,227.	1,230,907.	
d DUES & SUBSCRIPTIONS	119,189.	38,930.	80,259.	
e All other expenses	231,338.	81,278.	150,060.	
25 Total functional expenses. Add lines 1 through 24e	65,970,984.	52,735,434.	13,235,550.	
26 Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)	0.			

Part X Balance SheetCheck if Schedule O contains a response or note to any line in this Part X. ☐

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	2,305,795.	1	1,259,119.
	2 Savings and temporary cash investments	1,349,080.	2	253,962.
	3 Pledges and grants receivable, net	0.	3	34,970.
	4 Accounts receivable, net	6,328,065.	4	12,434,857.
	5 Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L	0.	5	0.
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L	0.	6	0.
	7 Notes and loans receivable, net	67,580.	7	53,683.
	8 Inventories for sale or use	1,734,140.	8	1,413,333.
	9 Prepaid expenses and deferred charges	1,106,981.	9	793,466.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 45,061,195.		
	b Less: accumulated depreciation	10b 28,387,552.		
		15,500,153.	10c	16,673,643.
	11 Investments - publicly traded securities	1,863,841.	11	78,498.
	12 Investments - other securities. See Part IV, line 11	0.	12	0.
	13 Investments - program-related. See Part IV, line 11	75,257.	13	114,601.
	14 Intangible assets	0.	14	0.
15 Other assets. See Part IV, line 11	4,032,207.	15	845,671.	
16 Total assets. Add lines 1 through 15 (must equal line 34)	34,363,099.	16	33,955,803.	
Liabilities	17 Accounts payable and accrued expenses	6,791,108.	17	10,922,996.
	18 Grants payable	0.	18	0.
	19 Deferred revenue	0.	19	39.
	20 Tax-exempt bond liabilities	0.	20	0.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D	0.	21	0.
	22 Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L	0.	22	0.
	23 Secured mortgages and notes payable to unrelated third parties	1,088,306.	23	4,806,909.
	24 Unsecured notes and loans payable to unrelated third parties	0.	24	0.
	25 Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D	3,970,000.	25	800,000.
	26 Total liabilities. Add lines 17 through 25	11,849,414.	26	16,529,944.
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets	22,197,633.	27	17,011,858.
	28 Temporarily restricted net assets	316,052.	28	414,001.
	29 Permanently restricted net assets	0.	29	0.
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances	22,513,685.	33	17,425,859.
	34 Total liabilities and net assets/fund balances	34,363,099.	34	33,955,803.

Form **990** (2017)

Part XI Reconciliation of Net AssetsCheck if Schedule O contains a response or note to any line in this Part XI. ☐

1	Total revenue (must equal Part VIII, column (A), line 12)	1	60,884,426.
2	Total expenses (must equal Part IX, column (A), line 25)	2	65,970,984.
3	Revenue less expenses. Subtract line 2 from line 1	3	-5,086,558.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	22,513,685.
5	Net unrealized gains (losses) on investments	5	-1,268.
6	Donated services and use of facilities	6	0.
7	Investment expenses	7	0.
8	Prior period adjustments	8	0.
9	Other changes in net assets or fund balances (explain in Schedule O)	9	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	17,425,859.

Part XII Financial Statements and ReportingCheck if Schedule O contains a response or note to any line in this Part XII. ☐

- 1** Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.
- 2a** Were the organization's financial statements compiled or reviewed by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both:
☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis
- b** Were the organization's financial statements audited by an independent accountant?
If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both:
☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis
- c** If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- 3a** As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b** If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

Form **990** (2017)

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2017

**Open to Public
Inspection**

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Employer identification number

85-0289839

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i)**.
- 2 ☐ A school described in **section 170(b)(1)(A)(ii)**. (Attach Schedule E (Form 990 or 990-EZ).)
- 3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii)**.
- 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii)**. Enter the hospital's name, city, and state: _____
- 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv)**. (Complete Part II.)
- 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v)**.
- 7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 8 ☐ A community trust described in **section 170(b)(1)(A)(vi)**. (Complete Part II.)
- 9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 ☐ An organization that normally receives: (1) more than 33 1/3 % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3 % of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2)**. (Complete Part III.)
- 11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4)**.
- 12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**. See **section 509(a)(3)**. Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
- a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
- b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
- c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
- d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
- e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.

f Enter the number of supported organizations.

g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
(A)						
(B)						
(C)						
(D)						
(E)						
Total						

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2017

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3.						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f).						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
7 Amounts from line 4.						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2017 (line 6, column (f) divided by line 11, column (f)).	14	%
15 Public support percentage from 2016 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2017. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here . The organization qualifies as a publicly supported organization. <input type="checkbox"/>		
b 33 1/3% support test - 2016. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here . The organization qualifies as a publicly supported organization <input type="checkbox"/>		
17a 10%-facts-and-circumstances test - 2017. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here . Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization. <input type="checkbox"/>		
b 10%-facts-and-circumstances test - 2016. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here . Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization <input type="checkbox"/>		
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions <input type="checkbox"/>		

Part III Support Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II.
If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b.						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ►	(a) 2013	(b) 2014	(c) 2015	(d) 2016	(e) 2017	(f) Total
9 Amounts from line 6.						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here <input type="checkbox"/>						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2017 (line 8, column (f) divided by line 13, column (f)).	15	%
16 Public support percentage from 2016 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2017 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2016 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2017. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization. ☐

b 33 1/3% support tests - 2016. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization. ☐

20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐

Part IV Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer (b) and (c) below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? <i>If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		
b A family member of a person described in (a) above?		
c A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in Part VI .		

Section B. Type I Supporting Organizations

	Yes	No
1 Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.		
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.		

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).		

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).		
3 By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.		

Section E. Type III Functionally Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a government entity (see instructions).			
2 Activities Test. Answer (a) and (b) below.			
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.			
b Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.			
3 Parent of Supported Organizations. Answer (a) and (b) below.			
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in Part VI .			
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in Part VI the role played by the organization in this regard.			

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

- 1** ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1 Net short-term capital gain	1		
2 Recoveries of prior-year distributions	2		
3 Other gross income (see instructions)	3		
4 Add lines 1 through 3.	4		
5 Depreciation and depletion	5		
6 Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6		
7 Other expenses (see instructions)	7		
8 Adjusted Net Income (subtract lines 5, 6, and 7 from line 4).	8		
Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1 Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):			
a Average monthly value of securities	1a		
b Average monthly cash balances	1b		
c Fair market value of other non-exempt-use assets	1c		
d Total (add lines 1a, 1b, and 1c)	1d		
e Discount claimed for blockage or other factors (explain in detail in Part VI):			
2 Acquisition indebtedness applicable to non-exempt-use assets	2		
3 Subtract line 2 from line 1d.	3		
4 Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4		
5 Net value of non-exempt-use assets (subtract line 4 from line 3)	5		
6 Multiply line 5 by .035.	6		
7 Recoveries of prior-year distributions	7		
8 Minimum Asset Amount (add line 7 to line 6)	8		
Section C - Distributable Amount			Current Year
1 Adjusted net income for prior year (from Section A, line 8, Column A)	1		
2 Enter 85% of line 1.	2		
3 Minimum asset amount for prior year (from Section B, line 8, Column A)	3		
4 Enter greater of line 2 or line 3.	4		
5 Income tax imposed in prior year	5		
6 Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6		
7 <input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).			

Schedule A (Form 990 or 990-EZ) 2017

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions		Current Year	
1	Amounts paid to supported organizations to accomplish exempt purposes		
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity		
3	Administrative expenses paid to accomplish exempt purposes of supported organizations		
4	Amounts paid to acquire exempt-use assets		
5	Qualified set-aside amounts (prior IRS approval required)		
6	Other distributions (describe in Part VI). See instructions.		
7	Total annual distributions. Add lines 1 through 6.		
8	Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.		
9	Distributable amount for 2017 from Section C, line 6		
10	Line 8 amount divided by Line 9 amount		

Section E - Distribution Allocations (see instructions)		(i) Excess Distributions	(ii) Underdistributions Pre-2017	(iii) Distributable Amount for 2017
1	Distributable amount for 2017 from Section C, line 6			
2	Underdistributions, if any, for years prior to 2017 (reasonable cause required-explain in Part VI). See instructions.			
3	Excess distributions carryover, if any, to 2017			
a				
b	From 2013			
c	From 2014			
d	From 2015			
e	From 2016			
f	Total of lines 3a through e			
g	Applied to underdistributions of prior years			
h	Applied to 2017 distributable amount			
i	Carryover from 2012 not applied (see instructions)			
j	Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4	Distributions for 2017 from Section D, line 7: \$			
a	Applied to underdistributions of prior years			
b	Applied to 2017 distributable amount			
c	Remainder. Subtract lines 4a and 4b from 4.			
5	Remaining underdistributions for years prior to 2017, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI . See instructions.			
6	Remaining underdistributions for 2017. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI . See instructions.			
7	Excess distributions carryover to 2018. Add lines 3j and 4c.			
8	Breakdown of line 7:			
a	Excess from 2013			
b	Excess from 2014			
c	Excess from 2015			
d	Excess from 2016			
e	Excess from 2017			

Schedule A (Form 990 or 990-EZ) 2017

Part VI **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information. (See instructions.)

Schedule of Contributors

OMB No. 1545-0047

2017

▶ **Attach to Form 990, Form 990-EZ, or Form 990-PF.**
▶ **Go to www.irs.gov/Form990 for the latest information.**

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Employer identification number

85-0289839

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

☒ 501(c)(3) (enter number) organization

☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

☐ 527 political organization

Form 990-PF

☐ 501(c)(3) exempt private foundation

☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation

☐ 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

- ☒ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

- ☐ For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3 % support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of (1) \$5,000; or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

Name of organization TAOS HEALTH SYSTEMS, INC.**Employer identification number**
85-0289839**Part I** **Contributors** (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1		\$ 16,255.	Person <input checked="checked" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2		\$ 25,000.	Person <input checked="checked" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
3		\$ 10,000.	Person <input checked="checked" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
4		\$ 7,500.	Person <input checked="checked" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization TAOS HEALTH SYSTEMS, INC.

Employer identification number

85-0289839

Part II Noncash Property (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	
		\$	

Name of organization TAOS HEALTH SYSTEMS, INC.

Employer identification number

85-0289839

Part III **Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor.** Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of *exclusively* religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this information once. See instructions.) ► \$ _____

Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee

SCHEDULE C
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

- ▶ **Complete if the organization is described below.** ▶ **Attach to Form 990 or Form 990-EZ.**
▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

OMB No. 1545-0047

2017

**Open to Public
Inspection**

If the organization answered "Yes," on Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," on Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," on Form 990, Part IV, line 5 (Proxy Tax) (see separate instructions) or Form 990-EZ, Part V, line 35c (Proxy Tax) (see separate instructions), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization TAOS HEALTH SYSTEMS, INC.	Employer identification number 85-0289839
--	---

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV. (see instructions for definition of "political campaign activities")
- 2 Political campaign activity expenditures (see instructions) ▶ \$
- 3 Volunteer hours for political campaign activities (see instructions)

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955. ▶ \$
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? ☐ Yes ☐ No
- 4a Was a correction made? ☐ Yes ☐ No
- b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities. ▶ \$
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities. ▶ \$
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ▶ \$
- 4 Did the filing organization file **Form 1120-POL** for this year? ☐ Yes ☐ No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule C (Form 990 or 990-EZ) 2017

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

A Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).

B Check ☐ if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)			
b Total lobbying expenditures to influence a legislative body (direct lobbying)			
c Total lobbying expenditures (add lines 1a and 1b)			
d Other exempt purpose expenditures			
e Total exempt purpose expenditures (add lines 1c and 1d)			
f Lobbying nontaxable amount. Enter the amount from the following table in both columns.			
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:		
Not over \$500,000	20% of the amount on line 1e.		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.		
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.		
Over \$17,000,000	\$1,000,000.		
g Grassroots nontaxable amount (enter 25% of line 1f)			
h Subtract line 1g from line 1a. If zero or less, enter -0-			
i Subtract line 1f from line 1c. If zero or less, enter -0-			
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No	

4-Year Averaging Period Under section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.

See the separate instructions for lines 2a through 2f.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2014	(b) 2015	(c) 2016	(d) 2017	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column (e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Schedule C (Form 990 or 990-EZ) 2017

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes," response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a	Volunteers?	X		
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c	Media advertisements?		X	
d	Mailings to members, legislators, or the public?		X	
e	Publications, or published or broadcast statements?		X	
f	Grants to other organizations for lobbying purposes?		X	
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	X		5,906.
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i	Other activities?		X	
j	Total. Add lines 1c through 1i			5,906.
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	3	

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No," OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year.	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues.	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, lines 1 and 2 (see instructions); and Part II-B, line 1. Also, complete this part for any additional information.

SCHEDULE C, PART II-B, LINE 1F

LOBBYING EXPENSE:

A PORTION OF MEMBERSHIP DUES PAID BY TAOS HEALTH SYSTEMS, INC. DURING THE

YEAR ARE ATTRIBUTABLE TO LOBBYING ACTIVITY. THE AMOUNT LISTED ON LINE 1G

REPRESENTS THIS PORTION AS NO OTHER LOBBYING ACTIVITIES OCCURRED.

Part IV **Supplemental Information** *(continued)*

**SCHEDULE D
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Supplemental Financial Statements

▶ Complete if the organization answered "Yes" on Form 990,
Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.

▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2017

**Open to Public
Inspection**

Employer identification number

85-0289839

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.

Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate value of contributions to (during year)		
3 Aggregate value of grants from (during year) . .		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II Conservation Easements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).

<input type="checkbox"/> Preservation of land for public use (e.g., recreation or education)	<input type="checkbox"/> Preservation of a historically important land area
<input type="checkbox"/> Protection of natural habitat	<input type="checkbox"/> Preservation of a certified historic structure
<input type="checkbox"/> Preservation of open space	

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 7/25/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ \$ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenue included on Form 990, Part VIII, line 1. ▶ \$ _____

(ii) Assets included in Form 990, Part X. ▶ \$ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenue included on Form 990, Part VIII, line 1. ▶ \$ _____

b Assets included in Form 990, Part X. ▶ \$ _____

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2017

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a** ☒ Public exhibition **d** ☐ Loan or exchange programs
b ☐ Scholarly research **e** ☐ Other _____
c ☐ Preservation for future generations

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☒ No

Part IV Escrow and Custodial Arrangements.

Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII ☐

Part V Endowment Funds.

Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	22,909.	22,182.	22,800.	22,463.	20,465.
b Contributions					
c Net investment earnings, gains, and losses	1,324.	1,192.	918.	818.	2,507.
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	505.	465.	1,536.	481.	509.
g End of year balance	23,728.	22,909.	22,182.	22,800.	22,463.

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a** Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ _____ %
c Temporarily restricted endowment ▶ 100.0000 %

The percentages on lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i) unrelated organizations
(ii) related organizations

	Yes	No
3a(i)	X	
3a(ii)		X
3b		

b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIII the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		1,645,483.		1,645,483.
b Buildings		13,605,883.	6,105,654.	7,500,229.
c Leasehold improvements		3,457,407.	1,948,533.	1,508,874.
d Equipment		25,216,173.	19,655,503.	5,560,670.
e Other		1,136,249.	677,862.	458,387.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				16,673,643.

Schedule D (Form 990) 2017

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other _____		
(A) _____		
(B) _____		
(C) _____		
(D) _____		
(E) _____		
(F) _____		
(G) _____		
(H) _____		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 12.) ►		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) _____		
(2) _____		
(3) _____		
(4) _____		
(5) _____		
(6) _____		
(7) _____		
(8) _____		
(9) _____		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 13.) ►		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) _____	
(2) _____	
(3) _____	
(4) _____	
(5) _____	
(6) _____	
(7) _____	
(8) _____	
(9) _____	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ►	

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value	
(1) Federal income taxes		
(2) INSURANCE PAYABLE	800,000.	
(3) _____		
(4) _____		
(5) _____		
(6) _____		
(7) _____		
(8) _____		
(9) _____		
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ►		800,000.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII ☐

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	57,308,406.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains (losses) on investments	2a	-1,268.
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d	5,265.
e	Add lines 2a through 2d	2e	3,997.
3	Subtract line 2e from line 1	3	57,304,409.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	3,580,017.
c	Add lines 4a and 4b	4c	3,580,017.
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)	5	60,884,426.

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	62,396,232.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIII.)	2d	5,265.
e	Add lines 2a through 2d	2e	5,265.
3	Subtract line 2e from line 1	3	62,390,967.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a	
b	Other (Describe in Part XIII.)	4b	3,580,017.
c	Add lines 4a and 4b	4c	3,580,017.
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)	5	65,970,984.

Part XIII Supplemental Information.

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

SEE PAGE 5

Part XIII Supplemental Information (continued)

SCHEDULE D, PART III, LINE 1A

FINANCIAL STATEMENT FOOTNOTE FOR ART COLLECTIONS:

THE FINANCIAL STATEMENTS DO NOT INCLUDE A FOOTNOTE DESCRIBING THE WORKS OF ART THAT TAOS HEALTH SYSTEMS, INC. HOLDS FOR PUBLIC EXHIBITION AS THE ANNUAL CONTRIBUTIONS RECEIVED AND THE TOTAL COLLECTION ARE NOT MATERIAL TO THE FINANCIAL STATEMENT OF THE HOSPITAL AS A WHOLE.

SCHEDULE D, PART III, LINE 4

DESCRIPTION OF ART COLLECTIONS:

THE CITY OF TAOS IS A WELL-KNOWN AND RESPECTED ART COMMUNITY. MANY ARTISTS HAVE CONTRIBUTED WORKS TO TAOS HEALTH SYSTEMS, INC. TO HELP BEAUTIFY AND ENHANCE THE HEALING ENVIRONMENT WITHIN THE WALLS OF THE HOSPITAL BUILDING. THERE IS A WIDE VARIETY OF ART, WITH SOMETHING FOR JUST ABOUT EVERYONE'S TASTE. THE DISPLAYS ARE IN EVERY HALLWAY AND PROVIDE ENJOYMENT FOR NOT ONLY PATIENTS, BUT THEIR FRIENDS AND FAMILY THAT MAY BE VISITING.

SCHEDULE D, PART V, LINE 4

DESCRIBE THE INTENDED USES OF THE ORGANIZATION'S ENDOWMENT FUNDS:

THE INTENDED USE OF THE ORGANIZATION'S ENDOWMENT FUNDS ARE TO SUPPORT THE VARIOUS OPERATIONS OF TAOS HEALTH SYSTEMS, INC.

SCHEDULE D, PART X, LINE 2

UNCERTAIN TAX POSITIONS:

MANAGEMENT HAS EVALUATED THEIR INCOME TAX POSITIONS UNDER THE GUIDANCE INCLUDED IN ASC 740. BASED ON THEIR REVIEW, MANAGEMENT HAS NOT IDENTIFIED ANY MATERIAL UNCERTAIN TAX POSITIONS TO BE RECORDED OR

Part XIII Supplemental Information *(continued)*

DISCLOSED IN THE FINANCIAL STATEMENTS.

SCHEDULE D, PART XI, LINE 2D

REVENUE ON BOOKS, NOT ON RETURN:

FUNDRAISING EVENT EXPENSE RECLASSIFIED AS EXPENSE 5,265

SCHEDULE D, PART XI, LINE 4B

REVENUE ON RETURN, NOT ON BOOKS:

BAD DEBT EXPENSE RECLASSIFIED AS EXPENSE 3,580,017

SCHEDULE D, PART XII, LINE 2D

EXPENSE ON BOOKS, NOT ON RETURN:

FUNDRAISING EVENT EXPENSE RECLASSIFIED AS EXPENSE 5,265

SCHEDULE D, PART XII, LINE 4B

EXPENSE ON RETURN, NOT ON BOOKS:

BAD DEBT EXPENSE RECLASSIFIED AS EXPENSE 3,580,017

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Supplemental Information Regarding Fundraising or Gaming Activities

Complete if the organization answered "Yes" on Form 990, Part IV, line 17, 18, or 19, or if the organization entered more than \$15,000 on Form 990-EZ, line 6a.

▶ Attach to Form 990 or Form 990-EZ.
▶ Go to www.irs.gov/Form990 for the latest instructions.

OMB No. 1545-0047

2017

**Open to Public
Inspection**

Employer identification number

85-0289839

Part I Fundraising Activities. Complete if the organization answered "Yes" on Form 990, Part IV, line 17.
Form 990-EZ filers are not required to complete this part.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- | | |
|--|---|
| a <input type="checkbox"/> Mail solicitations | e <input type="checkbox"/> Solicitation of non-government grants |
| b <input type="checkbox"/> Internet and email solicitations | f <input type="checkbox"/> Solicitation of government grants |
| c <input type="checkbox"/> Phone solicitations | g <input type="checkbox"/> Special fundraising events |
| d <input type="checkbox"/> In-person solicitations | |

- 2a** Did the organization have a written or oral agreement with any individual (including officers, directors, trustees, or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising services? ☐ **Yes** ☐ **No**
- b** If "Yes," list the 10 highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization.

(i) Name and address of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total				▶		

- 3** List all states in which the organization is registered or licensed to solicit contributions or has been notified it is exempt from registration or licensing.

Part II Fundraising Events. Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

	(a) Event #1 HEALTH OF IT (event type)	(b) Event #2 PAINT TAOS PIN (event type)	(c) Other events (total number)	(d) Total events (add col. (a) through col. (c))
	Revenue			
1 Gross receipts	18,839.	11,514.		30,353.
2 Less: Contributions	18,839.	11,514.		30,353.
3 Gross income (line 1 minus line 2).				
Direct Expenses				
4 Cash prizes				
5 Noncash prizes				
6 Rent/facility costs				
7 Food and beverages				
8 Entertainment				
9 Other direct expenses	5,246.	19.		5,265.
10 Direct expense summary. Add lines 4 through 9 in column (d) ▶				5,265.
11 Net income summary. Subtract line 10 from line 3, column (d) ▶				-5,265.

Part III Gaming. Complete if the organization answered "Yes" on Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

	(a) Bingo	(b) Pull tabs/instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col. (a) through col. (c))
Revenue				
1 Gross revenue				
Direct Expenses				
2 Cash prizes				
3 Noncash prizes				
4 Rent/facility costs				
5 Other direct expenses				
6 Volunteer labor	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	<input type="checkbox"/> Yes _____ % <input type="checkbox"/> No	
7 Direct expense summary. Add lines 2 through 5 in column (d) ▶				
8 Net gaming income summary. Subtract line 7 from line 1, column (d) ▶				

9 Enter the state(s) in which the organization conducts gaming activities: _____

a Is the organization licensed to conduct gaming activities in each of these states? ☐ Yes ☐ No

b If "No," explain: _____

10 a Were any of the organization's gaming licenses revoked, suspended, or terminated during the tax year? ☐ Yes ☐ No

b If "Yes," explain: _____

- 11** Does the organization conduct gaming activities with nonmembers? ☐ Yes ☐ No
- 12** Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No
- 13** Indicate the percentage of gaming activity conducted in:
- | | | |
|--------------------------------------|------------|---|
| a The organization's facility | 13a | % |
| b An outside facility | 13b | % |
- 14** Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

- 15 a** Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No
- b** If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____.
- c** If "Yes," enter name and address of the third party:

Name ▶ _____

Address ▶ _____

16 Gaming manager information:

Name ▶ _____

Gaming manager compensation ▶ \$ _____

Description of services provided ▶ _____

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions:

- a** Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No
- b** Enter the amount of distributions required under state law to be distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____

Part IV **Supplemental Information.** Provide the explanation required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also provide any additional information (see instructions).

SCHEDULE H
(Form 990)

Hospitals

OMB No. 1545-0047

2017

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, question 20.**

▶ **Attach to Form 990.**

▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Employer identification number

85-0289839

Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
1b If "Yes," was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care: <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %	X	
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care: <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?		X
5b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		
5c If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?		
6a Did the organization prepare a community benefit report during the tax year?		X
6b If "Yes," did the organization make it available to the public?		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			108,671.		108,671.	.17
b Medicaid (from Worksheet 3, column a)						
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total Financial Assistance and Means-Tested Government Programs			108,671.		108,671.	.17
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			1,047,901.		1,047,901.	1.68
f Health professions education (from Worksheet 5)			89,038.		89,038.	.14
g Subsidized health services (from Worksheet 6)			3,571,425.	1,727,592.	1,843,833.	2.95
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			28,647.		28,647.	.05
j Total. Other Benefits			4,737,011.	1,727,592.	3,009,419.	4.82
k Total. Add lines 7d and 7j.			4,845,682.	1,727,592.	3,118,090.	4.99

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule H (Form 990) 2017

Part II Community Building Activities Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 Total						

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

		Yes	No
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15?	1		X
2 Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.	2	3,580,017.	
3 Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit	3	1,935,329.	
4 Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.			

Section B. Medicare

5 Enter total revenue received from Medicare (including DSH and IME)	5	20,351,167.
6 Enter Medicare allowable costs of care relating to payments on line 5	6	21,562,294.
7 Subtract line 6 from line 5. This is the surplus (or shortfall)	7	-1,211,127.
8 Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used: <input checked="" type="checkbox"/> Cost accounting system <input type="checkbox"/> Cost to charge ratio <input type="checkbox"/> Other		

Section C. Collection Practices

9a Did the organization have a written debt collection policy during the tax year?	9a	X	
b If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI	9b	X	

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians - see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V Facility Information**Section A. Hospital Facilities**

(list in order of size, from largest to smallest - see instructions)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
1 TAOS HEALTH SYSTEMS, INC. 1397 WEIMER ROAD TAOS NM 87571 HTTP://HOLYCROSSMEDICALCENTER.ORG 6432	X	X					X			1
2										
3										
4										
5										
6										
7										
8										
9										
10										

Part V Facility Information (continued)**Section B. Facility Policies and Practices**

(complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or letter of facility reporting group TAOS HEALTH SYSTEMS, INC.Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1**Community Health Needs Assessment**

	Yes	No
1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year?		X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C		X
3 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 12 If "Yes," indicate what the CHNA report describes (check all that apply):	X	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The significant health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input checked="" type="checkbox"/> The impact of any actions taken to address the significant health needs identified in the hospital facility's prior CHNA(s)		
j <input type="checkbox"/> Other (describe in Section C)		
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>15</u>		
5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	X	
6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C		X
6b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C		X
7 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply):	X	
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>SEE PART V, SECTION C FOR DIRECT URL</u>		
b <input type="checkbox"/> Other website (list url): _____		
c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility		
d <input checked="" type="checkbox"/> Other (describe in Section C)		
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11	X	
9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>15</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	X	
a If "Yes," (list url): <u>SEE PART V, SECTION C FOR DIRECT URL</u>		
b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return?		
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.		
12a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?		X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?		
c If "Yes" to line 12b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$		

Part V Facility Information (continued)**Financial Assistance Policy (FAP)**Name of hospital facility or letter of facility reporting group TAOS HEALTH SYSTEMS, INC.

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
13	Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care? If "Yes," indicate the eligibility criteria explained in the FAP:	X	
a	<input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>100.0000</u> % and FPG family income limit for eligibility for discounted care of <u>300.0000</u> %		
b	<input type="checkbox"/> Income level other than FPG (describe in Section C)		
c	<input checked="" type="checkbox"/> Asset level		
d	<input type="checkbox"/> Medical indigency		
e	<input type="checkbox"/> Insurance status		
f	<input type="checkbox"/> Underinsurance status		
g	<input type="checkbox"/> Residency		
h	<input type="checkbox"/> Other (describe in Section C)		
14	Explained the basis for calculating amounts charged to patients?	X	
15	Explained the method for applying for financial assistance?	X	
If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):			
a	<input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
b	<input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application		
c	<input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process		
d	<input type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
e	<input type="checkbox"/> Other (describe in Section C)		
16	Was widely publicized within the community served by the hospital facility?	X	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	<input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>PART V, SECTION C FOR URL</u>		
b	<input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>PART V, SECTION C FOR URL</u>		
c	<input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>PART V, SECTION C FOR URL</u>		
d	<input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
e	<input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)		
f	<input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
g	<input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention		
h	<input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
i	<input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by LEP populations		
j	<input checked="" type="checkbox"/> Other (describe in Section C)		

Schedule H (Form 990) 2017

Part V Facility Information (continued)**Billing and Collections****Name of hospital facility or letter of facility reporting group** TAOS HEALTH SYSTEMS, INC.

		Yes	No
17	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained all of the actions the hospital facility or other authorized party may take upon nonpayment?	X	
18	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP:		
a	<input type="checkbox"/> Reporting to credit agency(ies)		
b	<input type="checkbox"/> Selling an individual's debt to another party		
c	<input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d	<input type="checkbox"/> Actions that require a legal or judicial process		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
f	<input checked="" type="checkbox"/> None of these actions or other similar actions were permitted		
19	Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged:		X
a	<input type="checkbox"/> Reporting to credit agency(ies)		
b	<input type="checkbox"/> Selling an individual's debt to another party		
c	<input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP		
d	<input type="checkbox"/> Actions that require a legal or judicial process		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
20	Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):		
a	<input type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs		
b	<input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process		
c	<input checked="" type="checkbox"/> Processed incomplete and complete FAP applications		
d	<input checked="" type="checkbox"/> Made presumptive eligibility determinations		
e	<input type="checkbox"/> Other (describe in Section C)		
f	<input type="checkbox"/> None of these efforts were made		

Policy Relating to Emergency Medical Care

		Yes	No
21	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? If "No," indicate why:	X	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)		
d	<input type="checkbox"/> Other (describe in Section C)		

Schedule H (Form 990) 2017

Part V Facility Information *(continued)***Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)**Name of hospital facility or letter of facility reporting group TAOS HEALTH SYSTEMS, INC.

		Yes	No
22	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care.		
a	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period		
b	<input checked="" type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
c	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
d	<input type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method		
23	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care? If "Yes," explain in Section C.	23	X
24	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Section C.	24	X

Schedule H (Form 990) 2017

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SCHEDULE H, PART V, SECTION B, LINE 5

FEDERAL REGULATIONS SURROUNDING CHNA REQUIRE LOCAL INPUT FROM REPRESENTATIVES OF PARTICULAR DEMOGRAPHIC SECTORS. FOR THIS REASON, HOLY CROSS HOSPITAL DEVELOPED A STANDARD PROCESS OF GATHERING COMMUNITY INPUT. WE DEPLOYED A CHNA ROUND 1 SURVEY TO OUR LOCAL EXPERT ADVISORS TO GAIN INPUT ON LOCAL HEALTH NEEDS AND THE NEEDS OF PRIORITY POPULATIONS. LOCAL EXPERT ADVISORS WERE LOCAL INDIVIDUALS SELECTED ACCORDING TO CRITERIA REQUIRED BY THE FEDERAL GUIDELINES AND REGULATIONS AND THE HOSPITAL'S DESIRE TO REPRESENT THE REGION'S GEOGRAPHICALLY AND ETHNICALLY DIVERSE POPULATION. WE RECEIVED COMMUNITY INPUT FROM 33 LOCAL EXPERT ADVISORS. SURVEY RESPONSES STARTED JANUARY 26, 2016 AND ENDED WITH THE LAST RESPONSE ON FEBRUARY 11, 2016.

INFORMATION ANALYSIS AUGMENTED BY LOCAL OPINIONS SHOWED HOW TAOS COUNTY RELATES TO ITS PEERS IN TERMS OF PRIMARY AND CHRONIC NEEDS AND OTHER ISSUES OF UNINSURED PERSONS, LOW-INCOME PERSONS, AND MINORITY GROUPS. RESPONDENTS COMMENTED ON WHETHER THEY BELIEVE CERTAIN POPULATION GROUPS (PRIORITY POPULATIONS) NEED HELP TO IMPROVE THEIR CONDITION, AND IF SO, WHO NEEDS TO DO WHAT TO IMPROVE THE CONDITIONS OF THESE GROUPS.

LOCAL OPINIONS OF THE NEEDS OF PRIORITY POPULATIONS, WHILE PRESENTED IN ITS ENTIRETY IN THE APPENDIX, WAS ABSTRACTED IN THE FOLLOWING TAKE-AWAY BULLETED COMMENTS:

- THERE IS A LACK OF RESOURCES FOR CHILDREN FROM LOW INCOME FAMILIES
- THE NATIVE AMERICAN AND HISPANIC POPULATIONS HAVE UNIQUE NEEDS AND ARE

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

LARGELY UNINSURED

- SUPPORT FOR THE HOMELESS IS NEEDED

WHEN THE ANALYSIS WAS COMPLETE, WE PUT THE INFORMATION AND SUMMARY CONCLUSIONS BEFORE OUR LOCAL EXPERT ADVISORS WHO WERE ASKED TO AGREE OR DISAGREE WITH THE SUMMARY CONCLUSIONS. THEY WERE FREE TO AUGMENT POTENTIAL CONCLUSIONS WITH ADDITIONAL COMMENTS OF NEED, AND NEW NEEDS DID EMERGE FROM THIS EXCHANGE. CONSULTATION WITH 32 LOCAL EXPERTS OCCURRED AGAIN VIA AN INTERNET-BASED SURVEY (EXPLAINED BELOW) BEGINNING MARCH 7, 2016 AND ENDING MARCH 28, 2016.

HAVING TAKEN STEPS TO IDENTIFY POTENTIAL COMMUNITY NEEDS, THE LOCAL EXPERTS THEN PARTICIPATED IN A STRUCTURED COMMUNICATION TECHNIQUE CALLED A WISDOM OF CROWDS METHOD. THE PREMISE OF THIS APPROACH RELIES ON A PANEL OF EXPERTS WITH THE ASSUMPTION THAT THE COLLECTIVE WISDOM OF PARTICIPANTS IS SUPERIOR TO THE OPINION OF ANY ONE INDIVIDUAL, REGARDLESS OF THEIR PROFESSIONAL CREDENTIALS.

IN THE HCH PROCESS, EACH LOCAL EXPERT HAD THE OPPORTUNITY TO INTRODUCE NEEDS PREVIOUSLY UNIDENTIFIED AND TO CHALLENGE CONCLUSIONS DEVELOPED FROM THE DATA ANALYSIS. WHILE THERE WERE A FEW OPINIONS OF THE DATA CONCLUSIONS NOT BEING COMPLETELY ACCURATE, THE VAST MAJORITY OF COMMENTS AGREED WITH OUR FINDINGS. WE DEVELOPED A SUMMARY OF ALL NEEDS IDENTIFIED BY ANY OF THE ANALYZED DATA SETS. THE LOCAL EXPERTS THEN ALLOCATED 100 POINTS AMONG THE POTENTIAL SIGNIFICANT NEED CANDIDATES, INCLUDING THE

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

OPPORTUNITY TO AGAIN PRESENT ADDITIONAL NEEDS THAT WERE NOT IDENTIFIED FROM THE DATA. A RANK ORDER OF PRIORITIES EMERGED, WITH SOME NEEDS RECEIVING NONE OR VIRTUALLY NO SUPPORT, AND OTHER NEEDS RECEIVING IDENTICAL POINT ALLOCATIONS.

WE DICHOTOMIZED THE RANK ORDER OF PRIORITIZED NEEDS INTO TWO GROUPS: SIGNIFICANT AND OTHER IDENTIFIED NEEDS. OUR CRITERIA FOR IDENTIFYING AND PRIORITIZING SIGNIFICANT NEEDS WERE BASED ON A DESCENDING FREQUENCY RANK ORDER OF THE NEEDS BASED ON TOTAL POINTS CAST BY THE LOCAL EXPERTS, FURTHER RANKED BY A DESCENDING FREQUENCY COUNT OF THE NUMBER OF LOCAL EXPERTS CASTING ANY POINTS FOR THE NEED. BY OUR DEFINITION, A SIGNIFICANT NEED HAD TO INCLUDE ALL RANK ORDERED NEEDS UNTIL AT LEAST FIFTY PERCENT (50%) OF ALL POINTS WERE INCLUDED AND TO THE EXTENT POSSIBLE, REPRESENTED POINTS ALLOCATED BY A MAJORITY OF VOTING LOCAL EXPERTS. THE DETERMINATION OF THE BREAK POINT, SIGNIFICANT AS OPPOSED TO OTHER, WAS A QUALITATIVE INTERPRETATION BY QHR AND THE HCH EXECUTIVE TEAM WHERE A REASONABLE BREAK POINT IN RANK ORDER OCCURRED.

SCHEDULE H, PART V, SECTION B, LINE 7A

DIRECT URL TO CHNA:

[HTTP://TAOSHOSPITAL.ORG/UPLOADS/FILES/HOLY_CROSS_HOSPITAL_-_COMMUNITY_HEALTH_NEED_ASSESMENT_-_2016.PDF](http://TAOSHOSPITAL.ORG/UPLOADS/FILES/HOLY_CROSS_HOSPITAL_-_COMMUNITY_HEALTH_NEED_ASSESMENT_-_2016.PDF)

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SCHEDULE H, PART V, SECTION B, LINE 7D

IN ADDITION TO PUBLISHING THE CHNA ON OUR WEBSITE AND PROVIDING HARD COPIES FOR THE PUBLIC'S REVIEW IN OUR ADMINISTRATIVE OFFICES, WE DELIVERED PRINTED COPIES OF THE CHNA TO TWO LOCAL LIBRARIES, WHERE THEY ARE MADE AVAILABLE TO THE PUBLIC VIA THE REFERENCE DEPARTMENT. ALSO, WE DISSEMINATED THE INFORMATION IN LARGE POSTER BOARD FORMAT VIA THE TAOS CARES HEALTH COUNCIL AND IN ONE COMMUNITY LISTENING SESSION IN AN OUTLYING RURAL AREA.

SCHEDULE H, PART V, SECTION B, LINE 10A

DIRECT URL TO IMPLEMENTATION STRATEGY:

[HTTP://TAOSHOSPITAL.ORG/UPLOADS/FILES/HOLY_CROSS_HOSPITAL_-_COMMUNITY_HEALTH_NEED_ASSESMENT_-_2016.PDF](http://TAOSHOSPITAL.ORG/UPLOADS/FILES/HOLY_CROSS_HOSPITAL_-_COMMUNITY_HEALTH_NEED_ASSESMENT_-_2016.PDF)

THE IMPLEMENTATION STRATEGY IS FOUND WITHIN THE CHNA DOCUMENT AND BEGINS ON PAGE 39.

SCHEDULE H, PART V, SECTION B, LINE 11

WE USED THE PRIORITY RANKING OF AREA HEALTH NEEDS BY THE LOCAL EXPERT ADVISORS TO ORGANIZE THE SEARCH FOR LOCALLY AVAILABLE RESOURCES AS WELL AS THE RESPONSE TO THE NEEDS BY HCH. THE FOLLOWING LIST:

- IDENTIFIES THE RANK ORDER OF EACH IDENTIFIED SIGNIFICANT NEED
- PRESENTS THE FACTORS CONSIDERED IN DEVELOPING THE RANKING
- ESTABLISHES A PROBLEM STATEMENT TO SPECIFY THE PROBLEM INDICATED BY USE OF THE SIGNIFICANT NEED TERM
- IDENTIFIES HCH CURRENT EFFORTS RESPONDING TO THE NEED INCLUDING ANY

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

WRITTEN COMMENTS RECEIVED REGARDING PRIOR HCH IMPLEMENTATION ACTIONS

-ESTABLISHES THE IMPLEMENTATION STRATEGY PROGRAMS AND RESOURCES HCH WILL
DEVOTE TO ATTEMPT TO ACHIEVE IMPROVEMENTS

-DOCUMENTS THE LEADING INDICATORS HCH WILL USE TO MEASURE PROGRESS

-PRESENTS THE LAGGING INDICATORS HCH BELIEVES THE LEADING INDICATORS WILL
INFLUENCE IN A POSITIVE FASHION, AND

-PRESENTS THE LOCALLY AVAILABLE RESOURCES NOTED DURING THE DEVELOPMENT OF
THIS REPORT AS BELIEVED TO BE CURRENTLY AVAILABLE TO RESPOND TO THIS
NEED.

IN GENERAL, HCH IS THE MAJOR HOSPITAL IN THE SERVICE AREA. HOLY CROSS
HOSPITAL IS A 29-BED, ACUTE CARE RURAL HOSPITAL LOCATED IN TAOS, NEW
MEXICO. THE NEXT CLOSEST FACILITIES ARE OUTSIDE THE SERVICE AREA AND
INCLUDE:

- PRESBYTERIAN ESPANOLA HOSPITAL IN ESPANOLA, NM, 45 MILES (57 MINUTES)
- LOS ALAMOS MEDICAL CENTER IN LOS ALAMOS, NM, 65 MILES (81 MINUTES)
- CHRISTUS ST. VINCENT REGIONAL MEDICAL CENTER IN SANTA FE, NM, 71 MILES
(89 MINUTES)

ALL DATA ITEMS ANALYZED TO DETERMINE SIGNIFICANT NEEDS ARE LAGGING
INDICATORS, MEASURES PRESENTING RESULTS AFTER A PERIOD OF TIME,
CHARACTERIZING HISTORICAL PERFORMANCE. LAGGING INDICATORS TELL YOU
NOTHING ABOUT HOW THE OUTCOMES WERE ACHIEVED. IN CONTRAST, THE HCH
IMPLEMENTATION STRATEGY USES LEADING INDICATORS. LEADING INDICATORS
ANTICIPATE CHANGE IN THE LAGGING INDICATOR. LEADING INDICATORS FOCUS ON

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SHORT-TERM PERFORMANCE, AND IF ACCURATELY SELECTED, ANTICIPATE THE
BROADER ACHIEVEMENT OF DESIRED CHANGE IN THE LAGGING INDICATOR. IN THE
QHR APPLICATION, LEADING INDICATORS ALSO MUST BE WITHIN THE ABILITY OF
THE HOSPITAL TO INFLUENCE AND MEASURE.

WITHIN THE CHNA DOCUMENT, EACH SIGNIFICANT NEED IDENTIFIED THAT HAS AN
IMPLEMENTATION STRATEGY HAS ITS OWN SECTION THAT INCLUDES PUBLIC
COMMENTS, AN ASSESSMENT OF SERVICES, PROGRAMS AND RESOURCES AVAILABLE TO
RESPOND TO THE NEED, AND AN ACTION PLAN.

SCHEDULE H, PART V, SECTION B, LINE 16A

DIRECT URL FOR THE FINANCIAL ASSISTANCE POLICY:

[HTTPS://HOLYCROSSMEDICALCENTER.ORG/WP-CONTENT/UPLOADS/2018/08/2017_-_FINANCIAL_ASSISTANCE_POLICY_-_ENGLISH_-_TAOS_HEALTH_SYSTEMS.PDF](https://holycrossmedicalcenter.org/wp-content/uploads/2018/08/2017_-_FINANCIAL_ASSISTANCE_POLICY_-_ENGLISH_-_TAOS_HEALTH_SYSTEMS.PDF)

SCHEDULE H, PART V, SECTION B, LINE 16B

DIRECT URL FOR FAP APPLICATION FORM:

[HTTPS://HOLYCROSSMEDICALCENTER.ORG/WPCONTENT/UPLOADS/2018/08/FAP_APPLICATION.PDF](https://holycrossmedicalcenter.org/wp-content/uploads/2018/08/FAP_APPLICATION.PDF)

SCHEDULE H, PART V, SECTION B, LINE 16C

DIRECT URL FOR PLAIN LANGUAGE SUMMARY:

[HTTPS://HOLYCROSSMEDICALCENTER.ORG/WP-CONTENT/UPLOADS/2018/08/FINANCIAL_ASSISTANCE_SUMMARY.PDF](https://holycrossmedicalcenter.org/wp-content/uploads/2018/08/FINANCIAL_ASSISTANCE_SUMMARY.PDF)

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SCHEDULE H, PART V, SECTION B, LINE 16I&J

TRANSLATION OF FAP INTO PRIMARY LANGUAGE SPOKEN BY LEP POPULATIONS:

HOLY CROSS HOSPITAL, HAS TRANSLATED THE FAP INTO SPANISH AND HAS PROVIDED THE POLICY IN PAPER AND ON THEIR WEBSITE. HOLY CROSS HOSPITAL WOULD CONSIDER TRANSLATING INTO ANOTHER LANGUAGE WHEN IT IS KNOWN THAT PATIENTS WILL NEED THE TRANSLATION AND ARE NOT SERVED BY THE CURRENT FORMS AND STATEMENTS. HOLY CROSS HOSPITAL USES DEMOGRAPHIC DATA FROM THEIR SYSTEM AND THE COUNTIES TO DETERMINE IF A PATIENT POPULATION EXISTS THAT IS OVER 1,000 INDIVIDUALS THAT DO NOT SPEAK ENGLISH OR SPANISH.

SCHEDULE H, PART V, SECTION B, LINE 22D

PERSONS QUALIFYING FOR THE FINANCIAL ASSISTANCE PROGRAM WILL BE CHARGED NOT MORE THAN THE "AMOUNTS GENERALLY BILLED" (AGB) OTHER PAYERS. AMOUNTS GENERALLY BILLED IS CALCULATED USING THE "LOOK BACK" METHOD. AMOUNTS GENERALLY BILLED, REPRESENTS EFFECTIVELY, WHAT THE HOSPITAL COLLECTS IN PAYMENTS FROM INSURANCE COMPANIES, MEDICARE AND MEDICAID (INCLUDING PATIENT OUT-OF-POCKET AMOUNTS).

Part V Facility Information *(continued)***Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**
(list in order of size, from largest to smallest)How many non-hospital health care facilities did the organization operate during the tax year? 5

Name and address	Type of Facility (describe)
1 CENTER FOR PHYSICAL HEALTH 1398 WEIMER ROAD, SUITE 203 TAOS NM 87571	OUTPATIENT PHYSICAL THERAPY
2 TAOS SURGICAL SPECIALISTS 1399 WEIMER ROAD, SUITE 600 TAOS NM 87571	SURGERY CLINIC
3 TAOS WOMEN'S HEALTH INSTITUTE 1331 MAESTAS ROAD TAOS NM 87571	OBSTETRICS/GYNECOLOGY CLINIC
4 HIGH ROAD DERMATOLOGY 1399 WEIMER ROAD, SUITE 600 TAOS NM 87571	DERMATOLOGY CLINIC
5 TAOS PRIMARY CARE 1329 GUSDORF ROAD TAOS NM 87571	MEDICAL CLINIC
6	
7	
8	
9	
10	

Schedule H (Form 990) 2017

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

SCHEDULE H, PART I, LINE 7

THE ORGANIZATION USED A COST-TO-CHARGE RATIO FOR LINES 7A. THE
COST-TO-CHARGE RATIO WAS DERIVED FROM WORKSHEET 2, RATIO OF PATIENT CARE
COST-TO-CHARGES.

THE INFORMATION FOR LINES 7E, 7F AND 7I WAS DERIVED FROM INFORMATION IN
THE GENERAL LEDGER AND OTHER FINANCIAL DATA RELATED SPECIFICALLY TO THE
VARIOUS TYPES OF COMMUNITY BENEFITS.

THE INFORMATION FOR LINE 7G USED A COST-TO-CHARGE RATIO DERIVED FROM THE
ORGANIZATION'S COST REPORT.

SCHEDULE H, PART I, LINE 7, COLUMN (F)

TOTAL BAD DEBT EXPENSE REMOVED FROM THE DENOMINATOR PRIOR TO THE
PERCENTAGE CALCULATION = \$3,580,017

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

SCHEDULE H, PART III, SECTION A, LINE 2

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 ORGANIZATION 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 (OR THE DISCOUNTED RATES IF NEGOTIATED OR PROVIDED BY POLICY) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS.

SCHEDULE H, PART III, SECTION A, LINE 3

THE AMOUNT OF BAD DEBT EXPENSE ESTIMATED TO BE ATTRIBUTABLE TO PATIENTS ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY WAS CALCULATED BASED ON EXPERIENCE AND COMMUNITY/INDUSTRY KNOWLEDGE APPLIED TO VARIOUS FINANCIAL CLASSES. THE LARGEST FINANCIAL CLASS WAS SELF-PAY,

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

WHICH WAS ESTIMATED AT 60% THAT MAY HAVE BEEN ELIGIBLE IF PAPERWORK WOULD
HAVE BEEN COMPLETED AND SUBMITTED.

SCHEDULE H, PART III, SECTION A, LINE 4

THE FOOTNOTE THAT DESCRIBES THE BAD DEBT EXPENSE FOR THE ORGANIZATION IS
LOCATED ON PAGES 9-10 OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS.

SCHEDULE H, PART III, SECTION B, LINE 8

ALL OF THE MEDICARE SHORTFALL SHOULD BE TREATED AS COMMUNITY BENEFIT
BECAUSE HOSPITALS MUST TREAT PATIENTS REGARDLESS OF THEIR ABILITY TO PAY.
THE GOVERNMENT SETS NON NEGOTIABLE MEDICARE RATES WHICH ARE SOMETIMES OUT
OF LINE WITH THE TRUE COST TO TREAT MEDICARE PATIENTS. BY TREATING
MEDICARE ELIGIBLE PATIENTS, HOSPITALS ALLEVIATE THE FEDERAL GOVERNMENT'S
BURDEN FOR DIRECTLY PROVIDING MEDICAL SERVICES. THE DATA USED TO EVALUATE
THE MEDICARE SHORTFALL WAS OBTAINED FROM THE FY2018 MEDICARE COST REPORT.

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

SCHEDULE H, PART III, SECTION C, LINE 9B

HOLY CROSS HOSPITAL WILL CONTINUALLY NOTIFY THE PATIENT WITH OPEN
SELF-PAY ACCOUNTS OF THE FINANCIAL ASSISTANCE POLICY AVAILABILITY FOR A
120 DAY PERIOD. THIS IS KNOWN AS THE FINANCIAL ASSISTANCE POLICY
NOTIFICATION PERIOD. HOLY CROSS HOSPITAL WILL PROVIDE THE PATIENT WRITTEN
NOTIFICATION 30 DAYS PRIOR TO THE END OF THE FINANCIAL ASSISTANCE
NOTIFICATION PERIOD. ADDITIONALLY, HOLY CROSS HOSPITAL WILL NOT ENGAGE IN
ANY EXTRAORDINARY COLLECTION ACTIVITY UNTIL SUFFICIENT TIME AND
NOTIFICATION PERIODS HAVE PASSED (AT LEAST 120 DAYS).

SCHEDULE H, PART VI, LINE 2

IN ADDITION TO OUR 2016 CHNA, TAOS HEALTH SYSTEMS, HOLY CROSS HOSPITAL,
PARTICIPATES IN A STUDY GROUP IN PARTNERSHIP WITH TOWN AND COUNTY
OFFICIALS. THESE SESSIONS ARE OPEN TO THE PUBLIC AND DESIGNED TO ADDRESS
COMMUNITY CONCERNS IN AN OPEN FORUM. ALSO, TAOS HEALTH SYSTEMS, DBA HOLY
CROSS HOSPITAL, ACTS AS FISCAL AGENT FOR THE TAOS CARES HEALTH COUNCIL,
WHICH CONVENES COMMUNITY MEMBERS AND PARTNER AGENCIES MONTHLY IN ORDER
TO:

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

- 1) DISSEMINATE HEALTH INFORMATION, INCLUDING CHNA DATA, TO COMMUNITY;
- 2) GATHER COMMUNITY INPUT;
- 3) BRING HEALTH CARE ENTITIES TOGETHER;
- 4) STRENGTHEN COMMUNITY SERVICES;
- 5) ASSIST COMMUNITIES WITH HEALTH AND HEALTHCARE GOALS;
- 6) EDUCATE COMMUNITY AND HEALTH CARE PROVIDERS.

THE INFORMATION OBTAINED FROM THE MONTHLY STUDY GROUPS, OPEN PUBLIC SESSIONS AND TAOS CARESHEALTH COUNCIL IS USED IN CONJUNCTION WITH INTERNAL ASSESSMENTS TO UPDATE THE IMPLEMENTATION STRATEGY FROM THE 2016 COMMUNITY HEALTH NEEDS ASSESSMENT.

SCHEDULE H, PART VI, LINE 3

WHEN AN ACCOUNT IS FINAL BILLED AND IDENTIFIED AS SELF-PAY, A LETTER IS SENT TO THE PATIENT REQUESTING EITHER PAYMENT OR THE PATIENT CONTACT THE HOSPITAL TO DISCUSS FINANCIAL ASSISTANCE. PAYMENT PLANS MAY BE ARRANGED OR AN APPLICATION FOR CHARITY CARE MAY BE COMPLETED. FOR SELF-PAY

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

ACCOUNTS LESS THAN \$1,000, NO CALLS ARE MADE TO THE PATIENT AND COLLECTION EFFORTS ARE THE SAME FOR ALL ACCOUNTS UNLESS THE PATIENT IS MAKING PAYMENTS OR HAD INDICATED THAT THEY WILL APPLY FOR FINANCIAL ASSISTANCE. FOR SELF-PAY ACCOUNTS BETWEEN \$1,000 AND \$5,000, THE PATIENT WILL BE CONTACTED AT LEAST 3 TIMES BY TELEPHONE TO ENCOURAGE THEM TO DISCUSS THEIR BILL AND APPLY FOR ASSISTANCE. PATIENTS AGREEING TO APPLY FOR CHARITY CARE WILL BE GIVEN APPLICATIONS AND ASSISTED IN COMPLETING THE FORMS IF NECESSARY.

WHEN AN APPLICATION IS RECEIVED THE FOLLOWING STEPS WILL BE TAKEN:

- IF THE ACCOUNT IS MORE THAN 120 DAYS OLD ALL EXTRAORDINARY COLLECTION ACTIVITY WILL BE SUSPENDED

APPLICATION INFORMATION WILL BE REVIEWED FOR A DISPOSITION WITHIN 5 BUSINESS DAYS. IF THE APPLICATION IS APPROVED, THE FOLLOWING STEPS WILL BE TAKEN:

- BILLING STATEMENT SHOWING THE AMOUNT OF FINANCIAL ASSISTANCE GIVEN, ANY REMAINING BALANCES OWED WILL BE SENT TO THE PATIENT

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

- REFUND ANY EXCESS PAYMENTS MADE BY INDIVIDUAL IF THE APPLICATION IS

RECEIVED INCOMPLETE, THE FOLLOWING ACTION WILL BE TAKEN:

- PROVIDE INDIVIDUAL WITH WRITTEN NOTICE OF ADDITIONAL INFORMATION NEEDED

WITH COMPLETION DEADLINE

- ONE NOTICE THAT EXTRAORDINARY COLLECTIONS WILL PROCEED IF APPLICATION

IS NOT COMPLETED OR CLAIM IS NOT PAID WITHIN 30 DAYS FROM ABOVE

COMPLETION DEADLINE OR LAST DAY OF APPLICATION PERIOD (240 DAYS)

IF THE APPLICATION IS DENIED, PATIENTS WILL BE SENT A LETTER INFORMING

THEM OF THE REASON FOR DENIAL.

HOLY CROSS HOSPITAL WILL CONTINUALLY NOTIFY THE PATIENT WITH OPEN SELF-PAY

ACCOUNTS OF THE FINANCIAL ASSISTANCE POLICY AVAILABILITY FOR A 120 DAYS

PERIOD. THIS IS KNOWN AS THE FINANCIAL ASSISTANCE POLICY NOTIFICATION

PERIOD. HOLY CROSS HOSPITAL WILL PROVIDE THE PATIENT WRITTEN NOTIFICATION

30 DAYS PRIOR TO THE END OF THE FINANCIAL ASSISTANCE NOTIFICATION PERIOD

(AT 90 DAYS). HOLY CROSS HOSPITAL WILL NOT ENGAGE IN ANY EXTRAORDINARY

COLLECTION ACTIVITY UNTIL SUFFICIENT TIME AND NOTIFICATION PERIODS HAVE

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

PASSED (AT LEAST 120 DAYS). PATIENTS WILL BE BILLED FULL CHARGES LESS 20%

UNINSURED DISCOUNT IF THEY DO NOT APPLY FOR FINANCIAL ASSISTANCE.

FOR ACCOUNTS LESS THAN \$2,000, INCOMPLETE APPLICATIONS WILL NOT BE
ACCEPTED. FOR ACCOUNTS GREATER THAN \$2,000, WE WILL ACCEPT ALL
APPLICATIONS AND CALL THE PATIENT WEEKLY FOR 3 WEEKS TO OBTAIN THE
MISSING INFORMATION. AFTER 3 WEEKS, WE WILL MAIL THE APPLICATION TO THE
PATIENT EXPLAINING THAT WE WERE UNABLE TO PROCESS AND FOR THEM TO BRING
THE APPLICATION BACK TO THS WHEN IT IS COMPLETE.

ON SELF-PAY ACCOUNTS OVER \$5,000, THE PATIENT WILL BE CALLED AS SOON AS
THE ACCOUNT IS IDENTIFIED. THE PATIENT WILL ALSO BE CALLED PRIOR TO EACH
ADDITIONAL COLLECTION LETTER BEING SENT. AFTER ALL APPROPRIATE
COLLECTIONS LETTERS HAVE BEEN SENT AND TELEPHONE CALLS HAVE BEEN MADE AND
THE PATIENT HAS NOT MADE AN ATTEMPT TO MAKE SUITABLE ARRANGEMENTS, THE
ACCOUNT WILL BE REFERRED TO AN OUTSIDE COLLECTION AGENCY.

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

SCHEDULE H, PART VI, LINE 4

TAOS HEALTH SYSTEM SERVES APPROXIMATELY 51,000 RESIDENTS OF TAOS, COLFAX, AND NORTHERN RIO ARriba COUNTIES, A DIVERSE CULTURAL COMMUNITY WITH A POVERTY RATE OF 23.4% IN A RURAL FRONTIER AREA OF 15 PEOPLE PER SQUARE MILE IN MORE THAN 2,500 SQUARE MILES. THE POPULATION OF TAOS COUNTY IS 56.4% HISPANIC OR LATINO, 7.6% NATIVE AMERICAN AND 35.4% WHITE NON-HISPANIC. IN TAOS COUNTY, 22.1% OF OUR COLLECTIVE POPULATION IS 65 OR OVER, COMPARED TO 15.1% NATIONWIDE, SO WE SEE DISPROPORTIONATELY HIGH ONSET IN CHRONIC DISEASES. THE PROPORTION OF TAOS COUNTY CHILDREN IN IMPOVERISHED OR LOW INCOME FAMILIES REMAINS ONE OF THE HIGHEST IN THE STATE AND THE NATION, WITH MORE THAN 43% OF ALL TAOS COUNTY CHILDREN UNDER 18 LIVING IN POVERTY.

SCHEDULE H, PART VI, LINE 5

THIS CONTAINS HOLY CROSS HOSPITAL, TAOS WOMEN'S HEALTH INSTITUTE, TAOS SURGICAL SPECIALTISTS, HIGH ROAD DERMATOLOGY, TAOS PRIMARY CARE, AND THE CENTER FOR PHYSICAL HEALTH. WE PROVIDE ACUTE HOSPITAL CARE, SURGERY CARE, AND REHABILITATIVE SPORTS MEDICINE AND PHYSICAL THERAPY SERVICES AS WELL

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

AS A WOMEN'S HEALTH CLINIC, A PEDIATRIC CLINIC AND A SURGICAL SPECIALTIES

CLINIC TO ENSURE THAT THE COMMUNITY'S NEED FOR CARE IS MET.

OUR SYSTEM EMPLOYS 9 PHYSICIANS AND 11 ADVANCE PRACTICE CLINICIANS IN GENERAL SURGERY, UROLOGY, OB/GYN, DERMATOLOGY, PRIMARY CARE, PEDIATRICS, AND EMERGENCY MEDICINE. IN ADDITION, PROVIDERS OF OTHER SPECIALTIES INCLUDING, BUT NOT LIMITED TO, INTERNAL MEDICINE, CARDIOLOGY, ORTHOPEDICS, ENT, WOUND CARE, ANTI-COAGULATION, AND PODIATRY PROVIDE SERVICES WITHIN OUR ORGANIZATION. OUR EMERGENCY DEPARTMENT, OPERATING ROOMS, LABORATORY, AND RADIOLOGY DEPARTMENTS ARE FULLY STAFFED AND TECHNOLOGICALLY EQUIPPED. THS ALSO PROVIDES A NUMBER OF GRANT AND HOSPITAL FUNDED COMMUNITY BENEFIT PROGRAMS THAT SERVE A WIDE ARRAY OF AREA RESIDENTS AT NO OR LOW COST. THESE INCLUDE:

- MEDICAID ENROLLMENT PROVIDES COMMUNITY HEALTH WORKERS, INCLUDING BILINGUAL CHW'S, WHO CURRENTLY ASSIST UNINSURED PEOPLE TO ACCESS TO CENTENNIAL CARE AS WELL AS OUTREACH.
- HEALTH EXCHANGE ENROLLMENT PROVIDES OUTREACH AND ENROLLMENT BY CERTIFIED HEALTHCARE GUIDES IN THE HEALTH INSURANCE EXCHANGE.

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

- DIABETES MANAGEMENT PROVIDES DISEASE MANAGEMENT STRATEGIES FOR PREDIABETICS AND PEOPLE LIVING WITH TYPE I AND II DIABETES.

- NUTRITION COUNSELING PROVIDES MULTIFACETED COUNSELING FOR PATIENTS FACING CHRONIC DISEASE AND OBESITY.

- PRESCRIPTION ASSISTANCE PROVIDES EMERGENCY AND ONGOING ASSISTANCE FOR PATIENTS UNABLE TO PAY FOR THEIR MEDICATIONS.

- MEDICATION THERAPY MANAGEMENT IMPROVES MEDICATION SAFETY AND EFFECTIVENESS FOR ANYONE ON PRESCRIPTION MEDICATIONS.

- TAOS ALIVE IS A COALITION TARGETED AT PREVENTING YOUTH SUBSTANCE ABUSE VIA ENVIRONMENTAL STRATEGIES SUCH AS MEDIA AWARENESS CAMPAIGNS AND LOCAL POLICY CHANGE.

- UNDERAGE DRINKING PREVENTION PROVIDES ALCOHOL LITERACY EDUCATION TO TAOS COUNTY ELEMENTARY, MIDDLE, AND HIGH SCHOOL STUDENTS ALONG WITH MEDIA LITERACY CAMPS DURING THE SUMMER.

- OVERDOSE PREVENTION PROVIDES PREVENTION STRATEGIES TO COMMUNITY MEMBERS AT-RISK FOR OPIATE OVERDOSE.

- CANCER SUPPORT SERVICES PROVIDES SERVICES FOR PATIENTS AND FAMILIES LIVING WITH CANCER.

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B.
- 3 Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy.
- 4 Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.
- 5 Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e.g., open medical staff, community board, use of surplus funds, etc.).
- 6 Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.
- 7 State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

- SANE (SEXUAL ASSAULT NURSE EXAMINER) SERVES VICTIMS OF SEXUAL ASSAULT

WITH CONFIDENTIAL EXAMS AND REFERRALS.

- FIRST STEPS HOME VISITING PROVIDES SUPPORT AND REFERRALS FOR FIRST-TIME

FAMILIES WITH CHILDREN AGES 0-3.

- TAOS LOVES KIDS PARENTING CLASSES PROVIDE TRAINING FOR CAREGIVERS OF

CHILDREN AGES 0- 5.

- KIDS FIRST! SUPPORTS THE MENTAL AND PHYSICAL HEALTH OF PENASCO VALLEY

FAMILIES OF CHILDREN 0-10.

- THE ANTI-COAGULATION CLINIC MONITORS AND ADJUSTS DRUG THERAPY FOR

PEOPLE WHO SUFFER CARDIOVASCULAR DISEASE AND ARE AT RISK FOR BLOOD CLOTS.

- DISASTER PREPAREDNESS WORKS WITH COMMUNITY PARTNERS AND HOSPITAL STAFF

TO PREPARE THE HEALTHCARE SYSTEM COMMUNITY FOR COUNTY-WIDE PUBLIC HEALTH

EMERGENCIES OF ALL TYPES.

SCHEDULE H, PART VI, LINE 7

COMMUNITY BENEFIT REPORTS ARE FILED IN THE STATE OF NEW MEXICO

SCHEDULE I
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Part I General Information on Grants and Assistance

- 1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☒ Yes ☐ No
- 2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States.

Part II Grants and Other Assistance to Domestic Organizations and Domestic Governments. Complete if the organization answered "Yes" on Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section (if applicable)	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of noncash assistance	(h) Purpose of grant or assistance
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							

2 Enter total number of section 501(c)(3) and government organizations listed in the line 1 table

3 Enter total number of other organizations listed in the line 1 table

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule I (Form 990) (2017)

Grants and Other Assistance to Organizations, Governments, and Individuals in the United States

Complete if the organization answered "Yes" on Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2017

Open to Public
Inspection

Employer identification number

85-0289839

Part III Grants and Other Assistance to Domestic Individuals. Complete if the organization answered "Yes" on Form 990, Part IV, line 22. Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1 SCHOLARSHIPS	21.	21,519.			
2					
3					
4					
5					
6					
7					

Part IV Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b); and any other additional information.

SCHEDULE I, PART I, LINE 2

ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS:

HIGH SCHOOL SENIORS COMPLETE APPLICATIONS WHICH ARE REVIEWED BY A COMMITTEE OF TAOS HEALTH SYSTEMS, INC. AND OTHER COMMUNITY MEMBERS. AFTER AWARD, THE STUDENTS MUST SHOW SATISFACTORY PROGRESS EACH SEMESTER TO BE PAID THE AWARD.

NURSING AND FINANCE SCHOLARSHIP EXPENSES ARE MONITORED BY FINANCE AND HUMAN RESOURCES VIA SPREADSHEET. THE SPREADSHEET INCORPORATES EACH INDIVIDUAL THAT HAS RECEIVED SCHOLARSHIPS AND MONTHLY INDIVIDUAL

Part III **Grants and Other Assistance to Domestic Individuals.** Complete if the organization answered "Yes" on Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

	(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1						
2						
3						
4						
5						
6						
7						

Part IV **Supplemental Information.** Provide the information required in Part I, line 2, Part III, column (b); and any other additional information.

EXPENSES, IN TOTAL, ARE RECONCILED TO THE GL ACCOUNT.

**SCHEDULE J
(Form 990)**

Department of the Treasury
Internal Revenue Service

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest
Compensated Employees

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 23.

▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2017

**Open to Public
Inspection**

Employer identification number

85-0289839

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|---|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (such as, maid, chauffeur, chef) |

b If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a?

3 Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III.

- | | |
|--|---|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed on Form 990, Part VII, Section A, line 1a, with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment?
- b** Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c** Participate in, or receive payment from, an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.

5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
- b** Any related organization?
- If "Yes" on line 5a or 5b, describe in Part III.

6 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
- b** Any related organization?
- If "Yes" on line 6a or 6b, describe in Part III.

7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III.

8 Were any amounts reported on Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III

9 If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b	X	
2	X	
4a		X
4b		X
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2017

Schedule J (Form 990) 2017

Page 2

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported on Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that aren't listed on Form 990, Part VII.

Note: The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1 STEVE ROZENBOOM CFO	(i)	174,456.	0.	6,843.	2,500.	22,811.	206,610.	
	(ii)	0.	0.	0.				
2 TIM MOORE BOARD MEMBER/CHIEF OF STAFF	(i)	356,241.	0.	2,669.	2,500.	23,873.	385,283.	
	(ii)	0.	0.	0.				
3 WILLIAM PATTEN CEO	(i)	273,714.	0.	12,568.	2,500.	20,661.	309,443.	
	(ii)	0.	0.	0.				
4 AIDEN O'ROURKE PHYSICIAN	(i)	420,983.	0.	3,402.	2,500.	17,287.	444,172.	
	(ii)	0.	0.	0.				
5 CHRISTOPHER GUTIERREZ PHYSICIAN	(i)	432,708.	0.	1,753.	2,500.	24,315.	461,276.	
	(ii)	0.	0.	0.				
6 JOHN WELLS PHYSICIAN	(i)	390,326.	0.	1,453.	2,500.	24,315.	418,594.	
	(ii)	0.	0.	0.				
7 LAUREN GOOD PHYSICIAN	(i)	394,279.	0.	636.	2,500.	23,873.	421,288.	
	(ii)	0.	0.	0.				
8 SHARON RANSOM PHYSICIAN	(i)	350,666.	0.	2,669.	2,500.	23,873.	379,708.	
	(ii)	0.	0.	0.				
9	(i)							
	(ii)							
10	(i)							
	(ii)							
11	(i)							
	(ii)							
12	(i)							
	(ii)							
13	(i)							
	(ii)							
14	(i)							
	(ii)							
15	(i)							
	(ii)							
16	(i)							
	(ii)							

Schedule J (Form 990) 2017

JSA

7E1291 1.000

8237HS 5974 3/29/2019 11:37:44 AM

7515

PAGE 70

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

SCHEDULE J, PART I, LINE 1A

OTHER COMPENSATION PROVIDED:

WILLIAM PATTEN, CEO, AND STEVE ROZENBLOOM, CFO, ARE PROVIDED WELLNESS

BENEFITS THAT ARE 100% TAXABLE TO THEM.

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990.

OMB No. 1545-0047

2017

**Open to Public
Inspection**

Employer identification number

85-0289839

FORM 990, PART VI, SECTION B, LINE 11B

PROCESS TO REVIEW THE FORM 990:

THE FORM 990 RETURN IS COMPLETED BY AN INDEPENDENT ACCOUNTING FIRM WHICH
FORWARDS THE COMPLETED RETURN TO THE CEO AND CFO FOR REVIEW TO DETERMINE
COMPLETENESS AND ACCURACY. ONCE APPROVED BY BOTH THE CEO AND CFO, A COPY
IS PROVIDED TO THE BOARD OF DIRECTORS FOR REVIEW. THE BOARD OF DIRECTORS
APPROVES THE FINAL COPY WHICH IS THEN FILED WITH THE IRS.

FORM 990, PART VI, SECTION B, LINE 12C

PROCESS FOR MONITORING COMPLIANCE WITH CONFLICT OF INTEREST POLICY:

THE COMPLIANCE COMMITTEE MONITORS AND ENFORCES THE CONFLICT OF INTEREST
POLICY. BOARD OF DIRECTORS MEMBERS, SENIOR LEADERS, DIRECTORS AND KEY
EMPLOYEES MUST COMPLETE A CONFLICT OF INTEREST STATEMENT ANNUALLY. IN THE
EVENT OF A CONFLICT OF INTEREST, THE BODY TO WHICH SUCH CONFLICT OF
INTEREST DISCLOSURE IS MADE SHALL DETERMINE, BY MAJORITY VOTE, WHETHER
THE DISCLOSURE REQUIRES THAT NONVOTING AND NON-PARTICIPATION PROVISIONS
MUST BE OBSERVED. THE MINUTES OF ANY MEETING WHERE A CONFLICT OF INTEREST
IS NOTED SHALL REFLECT THE DISCLOSURE MADE, THE VOTE THEREON AND, WHERE
APPLICABLE, THE ABSTENTION FROM VOTING AND PARTICIPATION, AND WHETHER A
QUORUM WAS PRESENT.

FORM 990, PART VI, SECTION B, LINE 15A

DESCRIBE PROCESS FOR DETERMINING COMPENSATION:

THE PROFESSIONAL SERVICES AGREEMENT FOR THE CEO STATES THAT THE HR

Name of the organization TAOS HEALTH SYSTEMS, INC.	Employer identification number 85-0289839
---	--

DIRECTOR WILL REVIEW THE MARKET DATA FOR THIS POSITION. THE DATA USED IN 2018 WAS THE NM HOSPITAL ASSOCIATION SALARY SURVEY WHICH REFLECTED THAT THE PAY FOR THIS POSITION WAS WITHIN 5% OF THE DEFINED MARKET. A SIMPLE AVERAGE OF THREE COMPONENTS (NEW MEXICO, ADJACENT STATES AND NATIONAL) WAS USED TO CALCULATE THE MARKET RATE. THE COMPENSATION COMMITTEE THEN REVIEWS THE RECOMMENDATION AND APPROVES THE CEO COMPENSATION.

FORM 990, PART VI, SECTION B, LINE 15B

REVIEW OF OTHER OFFICER OR KEY EMPLOYEES COMPENSATION:

THE PROFESSIONAL SERVICES AGREEMENT FOR THE CFO STATES THAT THE HR DIRECTOR WILL REVIEW THE MARKET DATA FOR THIS POSITION. THE DATA USED IN 2018 WAS THE NM HOSPITAL ASSOCIATION SALARY SURVEY WHICH REFLECTED THAT THE PAY FOR THIS POSITION WAS WITHIN 5% OF THE DEFINED MARKET. A SIMPLE AVERAGE OF THREE COMPONENTS (NEW MEXICO, ADJACENT STATES AND NATIONAL) WAS USED TO CALCULATE THE MARKET RATE. OTHER OFFICERS COMPENSATION IS REVIEWED AND APPROVED BY THE CEO USING MGMA DATA.

FORM 990, PART VI, SECTION C, LINE 19

GOVERNING DOCUMENTS AVAILABLE TO THE PUBLIC:

ALL GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY AND AUDITED FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST.

Name of the organization	Employer identification number
TAOS HEALTH SYSTEMS, INC.	85-0289839
<u>ATTACHMENT 1</u>	

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

<u>NAME AND ADDRESS</u>	<u>DESCRIPTION OF SERVICES</u>	<u>COMPENSATION</u>
CLINICAL COLLEAGUES 1121 N BETHLEHEM PIKE STE 60-234 SPRINGHOUSE, PA 19477	ANESTHESIA	1,040,305.
APOGEE MEDICAL MANAGEMENT 15059 N SCOTTSDALE RD STE 600 SCOTTSDALE, AZ 85254	HOSPITALISTS	975,035.
MEDEFIS INC P.O. BOX 5068 NEW YORK, NY 10087	CONTRACT LABOR	774,972.
CONEXUS SOLUTIONS LLC P.O. BOX 6419 SILOAM SPRINGS, AR 72761	CONTRACT LABOR	570,867.
QUOROM HEALTH RESOURCES, LLC 1573 MALLORY LANE, SUITE 200 BRENTWOOD, TN 37027	CONSULTING SERVICES	486,645.

ATTACHMENT 2FORM 990, PART IX - OTHER FEES

<u>DESCRIPTION</u>	(A) <u>TOTAL</u> <u>FEES</u>	(B) <u>PROGRAM</u> <u>SERVICE EXP.</u>	(C) <u>MANAGEMENT</u> <u>AND GENERAL</u>	(D) <u>FUNDRAISING</u> <u>EXPENSES</u>
CONTRACT LABOR	5,628,030.	5,340,398.	287,632.	
PURCHASED SERVICES - MEDICAL	1,451,525.	1,451,525.		
PURCHASED SERVICES - OTHER	4,542,413.	2,612,492.	1,929,921.	
TOTALS	<u>11,621,968.</u>	<u>9,404,415.</u>	<u>2,217,553.</u>	

SCHEDULE R
(Form 990)Department of the Treasury
Internal Revenue Service

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

▶ Attach to Form 990.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2017**Open to Public
Inspection**

Employer identification number

85-0289839

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

	(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1)	TAOS PROFESSIONAL SERVICES 1397 WEIMER RD. TAOS, NM 87571 27-4259044	CLINIC	NM	3,695,322.	2,306,086.	THS, INC.
(2)						
(3)						
(4)						
(5)						
(6)						

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related tax-exempt organizations during the tax year.

	(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
							Yes	No
(1)								
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2017

Part III Identification of Related Organizations Taxable as a Partnership. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512 - 514)	(f) Share of total income	(g) Share of end-of- year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1)												
(2)												
(3)												
(4)												
(5)												
(6)												
(7)												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?
(1)								Yes No
(2)								
(3)								
(4)								
(5)								
(6)								
(7)								

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

		Yes	No
1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?			
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity	1a		
b Gift, grant, or capital contribution to related organization(s)	1b		
c Gift, grant, or capital contribution from related organization(s)	1c		
d Loans or loan guarantees to or for related organization(s)	1d		
e Loans or loan guarantees by related organization(s)	1e		
f Dividends from related organization(s)	1f		
g Sale of assets to related organization(s)	1g		
h Purchase of assets from related organization(s)	1h		
i Exchange of assets with related organization(s)	1i		
j Lease of facilities, equipment, or other assets to related organization(s)	1j		
k Lease of facilities, equipment, or other assets from related organization(s)	1k		
l Performance of services or membership or fundraising solicitations for related organization(s)	1l		
m Performance of services or membership or fundraising solicitations by related organization(s)	1m		
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		
o Sharing of paid employees with related organization(s)	1o		
p Reimbursement paid to related organization(s) for expenses	1p		
q Reimbursement paid by related organization(s) for expenses	1q		
r Other transfer of cash or property to related organization(s)	1r		
s Other transfer of cash or property from related organization(s)	1s		
2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.			

	(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

Part VI **Unrelated Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners section 501(c)(3) organizations?		(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V - UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
				Yes	No			Yes	No		Yes	No	
(1)													
(2)													
(3)													
(4)													
(5)													
(6)													
(7)													
(8)													
(9)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													

USA

Schedule R (Form 990) 2017

Part VII **Supplemental Information**

Provide additional information for responses to questions on Schedule R. See instructions.

Taos Health Systems, Inc.

Independent Auditor's Report and
Consolidated Financial Statements

May 31, 2018 and 2017

Taos Health Systems, Inc.
May 31, 2018 and 2017

Contents

Independent Auditor's Report.....	1
--	----------

Consolidated Financial Statements

Balance Sheets.....	3
Statements of Operations.....	5
Statements of Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8

Independent Auditor's Report

Board of Directors
Taos Health Systems, Inc.
Taos, New Mexico

We have audited the accompanying consolidated financial statements of Taos Health Systems, Inc. (the Organization), which comprise the consolidated balance sheets as of May 31, 2018 and 2017, 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 financial statements.

Management's Responsibility for the Consolidated 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. 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.

Board of Directors
Taos Health Systems, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taos Health Systems, Inc. as of May 31, 2018 and 2017, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Denver, Colorado
December 5, 2018

Taos Health Systems, Inc.
Consolidated Balance Sheets
May 31, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,477,014	\$ 3,013,589
Short-term investments	23,728	325,771
Patient accounts receivable, net of allowance; 2018 - \$2,465,650 and 2017 - \$1,674,791	10,469,815	5,943,515
Estimated amounts due from third-party payers	1,965,042	399,595
Supplies	1,413,333	1,734,140
Other receivables	134,324	114,742
Estimated insurance recovery receivable *	800,000	3,970,000
Prepaid expenses and other	597,790	830,608
	<u>16,881,046</u>	<u>16,331,960</u>
Assets Limited as to Use		
Internally designated	<u>90,837</u>	<u>2,179,356</u>
Investments		
Investment in equity investee	<u>114,601</u>	<u>75,257</u>
Property and Equipment, at Cost		
Land and land improvements	2,466,483	2,527,249
Buildings and leasehold improvements	17,063,290	17,498,921
Equipment	25,216,173	26,230,953
Construction in progress	315,249	627,218
	45,061,195	46,884,341
Less accumulated depreciation	<u>(28,387,552)</u>	<u>(31,384,188)</u>
	<u>16,673,643</u>	<u>15,500,153</u>
Other Assets		
Other	<u>195,676</u>	<u>276,373</u>
Total assets	<u><u>\$ 33,955,803</u></u>	<u><u>\$ 34,363,099</u></u>

* Refer to Note 10, Professional Liability Insurance

Taos Health Systems, Inc.
Consolidated Balance Sheets (continued)
May 31, 2018 and 2017

Liabilities and Net Assets

	2018	2017
Current Liabilities		
Line of credit	\$ 1,794,713	\$ 535,709
Accounts payable	7,303,434	3,289,913
Accrued expenses	2,491,488	2,663,099
Estimated amounts due to third-party payers	1,128,113	838,096
Estimated contingent liability *	800,000	3,970,000
Current portion of accounts payable on payment plans	1,083,518	-
Current portion of capital lease obligations	594,092	230,085
	<hr/>	<hr/>
Total current liabilities	15,195,358	11,526,902
Long-term Liabilities		
Long-term portion of accounts payable on payment plans	277,563	-
Capital lease obligations, less current portion	1,057,023	322,512
	<hr/>	<hr/>
Total long-term liabilities	1,334,586	322,512
	<hr/>	<hr/>
Total liabilities	16,529,944	11,849,414
	<hr/>	<hr/>
Net Assets		
Unrestricted	17,011,858	22,197,633
Temporarily restricted	414,001	316,052
	<hr/>	<hr/>
Total net assets	17,425,859	22,513,685
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 33,955,803</u>	<u>\$ 34,363,099</u>

* Refer to Note 10, Professional Liability Insurance

Taos Health Systems, Inc.
Consolidated Statements of Operations
Years Ended May 31, 2018 and 2017

	2018	2017
Unrestricted Revenues, Gains and Other Support		
Net patient service revenue	\$ 54,907,805	\$ 54,404,766
Provision for uncollectible accounts	<u>3,580,017</u>	<u>2,791,168</u>
Net patient service revenue less provision for uncollectible accounts	51,327,788	51,613,598
Other revenue	5,284,187	7,407,157
Net assets released from restriction used for operations	<u>123,185</u>	<u>306,612</u>
Total unrestricted revenues, gains and other support	<u>56,735,160</u>	<u>59,327,367</u>
Expenses and Losses		
Salaries and wages	26,223,055	25,215,906
Purchased services	10,158,857	8,419,391
Supplies and minor equipment	9,323,951	9,516,062
Payroll taxes and benefits	4,912,361	5,189,682
Professional fees	2,596,522	2,352,603
Depreciation	1,951,517	1,760,540
Leases and rentals	1,397,462	1,321,286
Repairs and maintenance	1,460,134	1,523,924
Other	1,944,551	2,236,732
Insurance	1,339,549	979,025
Telephone and utilities	897,494	809,272
Travel, meals and entertainment	76,205	89,909
Interest	<u>114,574</u>	<u>49,120</u>
Total expenses and losses	<u>62,396,232</u>	<u>59,463,452</u>
Operating Loss	<u>(5,661,072)</u>	<u>(136,085)</u>
Other Income		
Investment return	184,052	133,445
Mill levy income	396,647	-
Other income (loss)	<u>(104,134)</u>	<u>28,504</u>
Total other income	<u>476,565</u>	<u>161,949</u>
Excess (Deficiency) of Revenues Over Expenses	(5,184,507)	25,864
Net unrealized gains (losses) on assets limited as to use other than trading securities	<u>(1,268)</u>	<u>112,812</u>
Increase (Decrease) in Unrestricted Net Assets	<u><u>\$ (5,185,775)</u></u>	<u><u>\$ 138,676</u></u>

Taos Health Systems, Inc.
Consolidated Statements of Changes in Net Assets
Years Ended May 31, 2018 and 2017

	2018	2017
Unrestricted Net Assets		
Excess (deficiency) of revenues over expenses	\$ (5,184,507)	\$ 25,864
Net unrealized gains (losses) on assets limited as to use other than trading securities	<u>(1,268)</u>	<u>112,812</u>
Increase (decrease) in unrestricted net assets	<u>(5,185,775)</u>	<u>138,676</u>
Temporarily Restricted Net Assets		
Restricted grants and donations	221,134	213,124
Net assets released from restrictions	<u>(123,185)</u>	<u>(306,612)</u>
Increase (decrease) in temporarily restricted net assets	<u>97,949</u>	<u>(93,488)</u>
Change in Net Assets	(5,087,826)	45,188
Net Assets, Beginning of Year	<u>22,513,685</u>	<u>22,468,497</u>
Net Assets, End of Year	<u><u>\$ 17,425,859</u></u>	<u><u>\$ 22,513,685</u></u>

Taos Health Systems, Inc.
Consolidated Statements of Cash Flows
Years Ended May 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ (5,087,826)	\$ 45,188
Items not requiring (providing) operating cash flows		
Provision for uncollectible accounts	3,580,017	2,791,168
Depreciation	1,951,517	1,760,540
Loss on disposal of equipment	171,550	-
Net unrealized losses (gains) on assets limited as to use	1,268	(112,812)
Realized gain on sale of assets limited as to use	(132,112)	(65,948)
Gain on investment in equity investees	(39,344)	(25,069)
Changes in		
Patient accounts receivable	(8,106,317)	(3,684,585)
Other receivables	(19,582)	311,245
Inventories	320,807	(211,558)
Prepaid expenses	232,818	(207,537)
Other assets	80,697	41,413
Accounts payable, including payables on payment plans	5,330,453	(244,552)
Accrued expenses	(171,611)	354,599
Net amounts due to (from) third-party payers	(1,275,430)	1,461,647
Net cash provided by (used in) operating activities	<u>(3,163,095)</u>	<u>2,213,739</u>
Investing Activities		
Purchase of property and equipment	(1,708,262)	(2,106,360)
Purchase of assets limited as to use	-	(239,080)
Proceeds from the sale of short-term investments	302,862	-
Proceeds from the sale of assets limited as to use	<u>2,218,544</u>	<u>65,948</u>
Net cash provided by (used in) investing activities	<u>813,144</u>	<u>(2,279,492)</u>
Financing Activities		
Net borrowings on line of credit	1,241,112	13,682
Principal payments under capital lease obligations	<u>(427,736)</u>	<u>(225,085)</u>
Net cash provided by (used in) financing activities	<u>813,376</u>	<u>(211,403)</u>
Decrease in Cash and Cash Equivalents	<u>(1,536,575)</u>	<u>(277,156)</u>
Cash and Cash Equivalents, Beginning of Year	<u>3,013,589</u>	<u>3,290,745</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,477,014</u></u>	<u><u>\$ 3,013,589</u></u>
Supplemental Cash Flows Information		
Cash payments for interest	<u>\$ 114,574</u>	<u>\$ 49,120</u>
Capital lease obligation incurred for property and equipment	<u>\$ 1,544,146</u>	<u>\$ -</u>
Property and equipment financed in accounts payable	<u>\$ 44,149</u>	<u>\$ 34,304</u>

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

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

Organization

Taos Health Systems, Inc. (the Organization), located in Taos, New Mexico, is a not-for-profit hospital along with specialty clinics as further described below. As of July 20, 2017, the organization changed from a 29-bed acute care hospital to a 25-bed critical access hospital. The Organization provides inpatient, outpatient, emergency care and clinical services for residents of Taos County and surrounding areas. The consolidated financial statements of the Organization include Holy Cross Hospital (the Hospital) and Taos Professional Services (TPS).

TPS, formed in 2008, is currently comprised of the following distinct clinical units:

- Women's Health Institute (WHI), which provides obstetrics and gynecology services.
- Taos Surgical Specialties (TSS), which provides surgical services.
- Center for Physical Health (CPH), provides rehabilitation services including physical therapy and speech therapy. As of October 1, 2017, CPH was converted from a freestanding clinic to a department of the hospital.
- High Road Dermatology (HRD), provides dermatology services.
- Taos Primary Care Clinic, provides basic family clinic services.

Principles of Consolidation

The consolidated financial statements include the accounts of the Hospital and TPS. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments other than those included in assets limited as to use or held for investment purposes, with original maturities of three months or less to be cash equivalents. At May 31, 2018 and 2017, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At May 31, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$1,935,000.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Short-term Investments

Short-term investments include investments with original maturities between three months and one year. The short-term investments consist of certificates of deposit. At times, such investments may be in excess of the FDIC insurance limit; however, the Organization has not experienced any losses in such accounts.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. The investment in equity investee is reported on the equity method of accounting. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the consolidated statements of operations and changes in net assets as unrestricted, or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Assets Limited as to Use

Assets limited as to use primarily include designated assets set aside by the Board of Directors (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

Patient Accounts Receivable

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization 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 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 Organization 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 (or the discounted rates if negotiated or provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

The Organization's allowance for doubtful accounts for self-pay patients increased from 69% to 77% of self-pay accounts receivable at May 31, 2017 and 2018, respectively. In addition, the Organization's write-offs increased approximately \$790,000 from approximately \$2.8 million for the year ended May 31, 2017 to approximately \$3.6 million for the year ended May 31, 2018. The increase in bad debt is due to overall increases in revenues and a higher number of patients not paying their portion of co-pay and deductible amounts associated with their bills. In addition, the Organization implemented a new electronic medical record (EMR) software system. Delays encountered due to the system implementation increased aging of accounts resulting in increased allowance estimates.

Supplies

The Organization states supply inventories at cost, determined using the first-in, first-out method.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Assets are capitalized if the cost is greater than \$2,000. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Equipment under capital lease obligations is depreciated on the straight-line method over a shorter period of the lease term or the estimated useful life of the equipment.

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

Buildings and improvements	3–40 years
Equipment	3–10 years

Long-lived Asset Impairment

The Organization 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 estimate future cash flows expected to result from the use and eventual disposition of the asset are 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 May 31, 2018 and 2017.

Investment Accounted for Under the Equity Method

The Organization has a 50% ownership interest in Taos Community Health Plan, Inc., a Physician Hospital Organization (PHO) created to present a united group of health care providers to negotiate contracts with managed care organizations. This investment is accounted for under the equity method of accounting. Under the equity method, the original investment is recorded at cost and adjusted by the Organization's share of undistributed earnings or losses of this entity.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Net Patient Service Revenue

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. Net patient service revenue is reported at the estimated net amounts realizable 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 the related services are rendered and such amounts are revised in future periods as adjustments become known.

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The Organization's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$96,000 and \$114,000 in 2018 and 2017, respectively.

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 10.

Income Taxes

The Organization has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations includes excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, 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).

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Self-insurance

The Organization has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Organization has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$85,000.

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 is contingent on the Organization 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 Organization recognizes revenue during the period in which management was reasonably assured meaningful use objectives were met and any other specific requirements achieved. The Organization has not recorded Medicare EHR revenue during 2018 and 2017.

Mill Levy

The voters of Taos County New Mexico passed a levy of one mill for funding infrastructure maintenance and improvements for Holy Cross Hospital. The tax is expected to provide approximately \$1.3 million each year for the next four years starting in 2018. The taxes are reported as revenue in the year in which the funds are approved to be spent. During the year ended May 31, 2018, the Organization recorded \$396,647 in revenue from the mill levy.

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.

Subsequent Events

Subsequent events have been evaluated through December 5, 2018, which is the date the consolidated financial statements were available to be issued.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Note 2: Net Patient Service Revenue

Arrangements with Third-party Payers

The Organization 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 Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization 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 consolidated statements of operations as a component of net patient service revenue.

The Organization has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare. As of July 20, 2017, the Organization converted to a critical access hospital. This designation changed the Organization's reimbursement from payments at prospectively determined rates to cost reimbursement. Inpatient, non-acute services, and defined capital are paid based on a cost reimbursement methodology. The Organization is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare fiscal intermediary.

Medicaid. Inpatient acute care services rendered to Medicaid 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. Outpatient services and defined capital are paid based on a percentage above the state determined fee schedule. Cost reports are required; however cost report settlements have been discontinued.

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

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

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

	2018	2017
Medicare	\$ 19,891,149	\$ 18,098,416
Medicaid	12,624,816	9,826,519
Other third-party payers	21,874,996	24,739,785
Self-pay	<u>516,844</u>	<u>1,740,046</u>
Total	<u><u>\$ 54,907,805</u></u>	<u><u>\$ 54,404,766</u></u>

Note 3: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements, including Medicare and Medicaid. The mix of net receivables from patients and third-party payers at May 31 is:

	2018	2017
Medicare	44%	26%
Medicaid	14%	16%
Other third-party payers	42%	45%
Self-pay	<u>0%</u>	<u>13%</u>
	<u><u>100%</u></u>	<u><u>100%</u></u>

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Note 4: Investments and Investment Return

Assets Limited as to Use

Assets limited as to use at May 31 include:

	2018	2017
Cash and cash equivalents	\$ -	\$ 290,169
Equity securities	78,498	1,271,545
Mutual funds	-	592,296
	<hr/>	<hr/>
	78,498	2,154,010
Internally designated for nursing scholarships		
Certificates of deposit	12,339	25,346
	<hr/>	<hr/>
Total assets limited as to use	<u>\$ 90,837</u>	<u>\$ 2,179,356</u>

Investments

Short-term investments at May 31 include:

	2018	2017
Certificates of deposit	\$ -	\$ 302,862
Taos Community Foundation	23,728	22,909
	<hr/>	<hr/>
	<u>\$ 23,728</u>	<u>\$ 325,771</u>

Investment Income

Total investment return is comprised of the following:

	2018	2017
Interest and dividend income	\$ 51,930	\$ 67,497
Realized gains	132,122	65,948
	<hr/>	<hr/>
	184,052	133,445
Net unrealized gains (losses)	(1,268)	112,812
	<hr/>	<hr/>
	<u>\$ 182,784</u>	<u>\$ 246,257</u>

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Note 5: Investment in and Advances to Equity Investee

The following table provides a condensed income statement and balance sheet of the PHO as of and for the years ended May 31:

	2018	2017
Condensed income statement information		
Operating revenues	<u>\$ 367,073</u>	<u>\$ 239,386</u>
Net income	<u>\$ 78,688</u>	<u>\$ 50,138</u>
The Hospital's equity in net income of affiliate	<u>\$ 39,344</u>	<u>\$ 25,069</u>
Condensed balance sheet information		
Total assets	<u>\$ 229,703</u>	<u>\$ 151,029</u>
Liabilities	\$ 502	\$ 516
Equity	<u>229,201</u>	<u>150,513</u>
Total liabilities and equity	<u>\$ 229,703</u>	<u>\$ 151,029</u>
The Hospital's equity in net assets of affiliate	<u>\$ 114,601</u>	<u>\$ 75,257</u>

Note 6: Line of Credit

The Organization entered into a new open-ended revolving line of credit on January 1, 2018 with a borrowing limit originally expiring October 3, 2018. Payment terms were subsequently extended to \$300,000 due the week of October 1, 2018, \$1,000,000 due upon receipt of the quarterly Safety Net Care Pool funds from the State of New Mexico, and the remainder due by December 31, 2018.

At May 31, 2018 and 2017, there was \$1,794,713 and \$535,709, respectively, borrowed on the line of credit. The line is collateralized by property owned by the Organization and is payable on demand. The revolving credit agreement bears interest at prime plus 1.00% which was 4.75% at May 31, 2018. The previously held line of credit was paid in full and had an interest rate of LIBOR plus 1.75% and was 2.72% at May 31, 2017.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Note 7: Capital Lease Obligation

Capital lease obligations consisted of the following at May 31:

	2018	2017
Capital lease obligations	\$ 1,651,115	\$ 552,597
Less current maturities	<u>594,092</u>	<u>230,085</u>
	<u><u>\$ 1,057,023</u></u>	<u><u>\$ 322,512</u></u>

Capital lease agreements have varying rates of imputed interest from 2.8% to 7.1%, due through June 1, 2022; collateralized by property and equipment. The Organization leases certain equipment under agreements that are classified as capital leases. Depreciation of assets under capital leases is included in depreciation expense in the accompanying consolidated financial statements.

	2018	2017
Equipment	\$ 3,066,105	\$ 2,388,081
Less accumulated depreciation	<u>1,162,196</u>	<u>1,871,744</u>
	<u><u>\$ 1,903,909</u></u>	<u><u>\$ 516,337</u></u>

The maturities of the capital lease obligations for each of the five years subsequent to May 31, 2018 and the aggregate amount thereafter are shown below:

Fiscal Year Ending May 31,	Lease Obligations
2019	\$ 632,826
2020	477,188
2021	335,524
2022	<u>242,001</u>
	1,687,539
Less amount representing interest	<u>36,424</u>
Present value of future minimum lease payments	1,651,115
Less current maturities	<u>594,092</u>
Noncurrent portion	<u><u>\$ 1,057,023</u></u>

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Note 8: Pension Plan

Under a collective bargaining agreement between the Organization and the Professional Performance Association, affiliated with District 1199 NM, National Union of Hospital and Health Care Employees, AFSCME AFL-CIO, a defined contribution pension plan (the Plan) was established under Section 403(b) of the Internal Revenue Code. The current collective bargaining agreement will expire on May 31, 2021.

Under the agreement as amended, the Organization maintains a qualified, long-term, tax-deferred savings plan. Effective January 1, 2013, for employees earning less than \$35,250 annually, the Organization will match the employee's contribution to the Plan up to \$705 annually. For employees earning more than \$35,250 annually and who contribute at least \$705, the Organization will match the employee's contribution up to 2.0% of the employee's annual compensation, not to exceed \$2,500 annually. Only employees eighteen (18) years of age or older qualify. Members of the Plan will be vested in the Plan on a five (5) year graduated schedule, but fully vested no later than the employee's sixty-fifth (65th) birthday. The Organization appoints a plan administrator, prepares and distributes summary plan descriptions, and assists the plan administrator in distributing reports to individual participants no less frequently than annually. The Organization also pays all direct administrative costs to operate the Plan.

All employees, whether represented by the bargaining unit or not, who meet the eligibility requirements are eligible to participate and receive the contributions as noted above. Pension expense was approximately \$325,000 and \$353,000 for 2018 and 2017, respectively.

Note 9: Operating Leases

The Organization has entered into two lease arrangements with the county of Taos, New Mexico. The first agreement, entered into during fiscal year 2009, is a co-ownership purchase of equipment between the two entities requiring a 10-year annual lease payment of \$12,500. The second agreement, entered into during fiscal year 2011, is a 10-year rent prepayment on the hospital building and includes the requirement that the Organization purchase a new ambulance every two years on a calendar year basis. Prepaid assets are included in prepaid expenses and other in the consolidated balance sheets.

The Organization has various operating leases for buildings and equipment. Total expense approximated \$1,397,462 in 2018 and \$1,321,286 in 2017 for all operating leases. The following is a schedule by year of future minimum lease payments for the building and equipment under non-cancelable operating leases as of May 31, 2018 which have initial or remaining lease terms in excess of one year:

2019	\$ 535,806
2020	404,310
2021	335,453
2022	218,790
2023	<u>20,381</u>
Total minimum lease payments	<u>\$ 1,514,740</u>

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Note 10: Commitments and Contingencies

Labor Agreements

At May 31, 2018, 99 of the Organization's 343 union-eligible employees were active under the collective bargaining agreements. At May 31, 2017, 126 employees out of 309 union-eligible employees were active. Total employee count at year-end May 31, 2018 and 2017 was 452 and 444, respectively. The current collective bargaining agreement is set to expire on May 31, 2021, with wage renegotiations permissible in years two and three under the agreement.

Employee Health Insurance

The Organization maintains a stop-loss agreement with an insurance company to limit its losses on individual claims related to group employee insurance. Under the current terms of this agreement, the Organization's claims liability is limited to \$85,000 per employee per plan year. As of May 31, 2018 and 2017, the Organization accrued employee insurance claims of \$367,483 and \$364,976, respectively, which are included in accounts payable in the accompanying consolidated balance sheets.

Stop-loss premiums and claims payments totaling \$2,029,656 and \$2,126,768 were expended during the years ended May 31, 2018 and 2017, respectively, and are included in the employee benefits expense in the accompanying consolidated statements of operations.

Professional Liability Insurance

The Organization purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Organization also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Based upon the Organization's claims experience, an accrual had been made for the Organization's estimated medical malpractice costs, including costs associated with litigating or settling claims, under its malpractice insurance policy, amounting to approximately \$353,000 and \$667,000 as of May 31, 2018 and 2017, respectively. In addition, an estimated insurance recovery receivable and offsetting estimated contingent liability of \$800,000 and \$3,970,000 are shown on the consolidated balance sheets and represent amounts estimated to be covered by insurance as of May 31, 2018 and 2017, respectively. Professional liability reserve estimates represent the estimated cost of reported and unreported losses incurred through the respective consolidated balance sheets dates. The reserve for unpaid losses and loss expenses are estimated using individual case-basis valuations. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The time period required to resolve these claims can vary depending upon whether the claim is settled or litigated. The estimation of the timing of payments beyond a year can vary significantly. Although considerable variability is inherent in professional liability reserve estimates, we believe the reserves for losses and loss expenses are adequate based on information currently known. It is reasonably possible that this estimate could change materially in the near term.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Workers' Compensation Insurance

The Organization is insured under the New Mexico Hospital Workers' Compensation Group for the purpose of providing insurance coverage for workers' compensation. The policy is a retrospectively rated policy whose premiums accrue based on the ultimate cost of the experience of a group of participating health care entities. The Organization expensed approximately \$341,000 and \$378,000 in workers' compensation premiums during 2018 and 2017, respectively. Such amounts are included in employee benefits expense in the accompanying consolidated statements of operations.

Cost Report Settlements

The Organization's Medicare cost reports have been final settled for fiscal years through May 31, 2016, and Medicaid cost reports have been final settled for fiscal years through May 31, 2015. In management's opinion, the estimated third-party settlement receivable of approximately \$1,250,000 and payable of \$35,000 at May 31, 2018 and 2017, respectively, is currently management's best estimate of the remaining cost reports settlements. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information is available to improve estimates, differences are reflected in current operations.

Safety Net Care Pool

The Organization receives Safety Net Care Pool (SNCP) funding to compensate the Organization for providing health care to the indigent population in Taos County. The funding is subject to annual reviews and approvals by Taos County as well as the State of New Mexico Human Services Department. In fiscal years 2018 and 2017, the Organization recognized SNCP funding of approximately \$4,634,000 and \$5,700,000, respectively. Such amounts are reported as other revenue in the accompanying consolidated statements of operations. Funding in future periods is uncertain; however, management expects to receive a similar amount of funding in fiscal year 2018 as in fiscal year 2017.

Note 11: 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.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Note 12: Functional Expense Classification

In recording the activities of the Organization, expenses are specifically tracked or allocated on the basis of periodic time and expense studies, and recorded in the following functional categories for the years ended May 31:

	<u>2018</u>	<u>2017</u>
Health care services	\$ 48,256,977	\$ 46,419,928
Management general	<u>14,139,255</u>	<u>13,043,524</u>
Total expenses	<u><u>\$ 62,396,232</u></u>	<u><u>\$ 59,463,452</u></u>

Note 13: Fair Value Measurements

Management uses a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3** Unobservable inputs for the asset or liability

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization has no Level 3 investments. In addition, the Organization had no transfers between levels during the years ended May 31, 2018 and 2017.

Taos Health Systems, Inc.
Notes to Consolidated Financial Statements
May 31, 2018 and 2017

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2018 and 2017.

Equity securities and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds are valued at the closing price reported in the active market in which the bond is traded.

The following tables disclose by level the fair value hierarchy of the Organization's assets at fair value as of May 31, 2018 and 2017:

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value			
May 31, 2018					
Equity securities	\$	78,498	\$	78,498	\$ -

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value			
May 31, 2017					
Equity securities	\$	1,271,545	\$	1,271,545	\$ -
Mutual funds		592,296		592,296	-

Note 14: Management's Plan

The Organization has incurred recurring losses from operations and negative cash flow from operations in the current year. During fiscal year 2018, the conversion to a critical access hospital and new electronic medical record system caused delays in billing and reimbursement, resulting in reduced liquidity and an increased account receivable balance. The Organization has taken many steps to manage costs and improve cash positions during and following the fiscal year 2018, including engaging a third party to assist in working the account receivable balances and on redesigning the revenue cycle. In addition, the Organization has negotiated extended payment terms with their line of credit lender (see Note 6). In addition, the Organization is monitoring staffing levels and making adjustments where necessary to control costs.