TAOS HEALTH SYSTEMS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Taos Health Systems, Inc., which comprise the consolidated balance sheet as of May 31, 2020, and the related consolidated statements of operations, net assets, and cash flows for the year then ended, and the related notes to the consolidated 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taos Health Systems, Inc. as of May 31, 2020, and the results of their operations, changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2019 consolidated financial statements were audited by other auditors, whose report dated October 30, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020 on our consideration of Taos Health Systems, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Taos Health Systems, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taos Health Systems, Inc.'s internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 9, 2020

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
MAY 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 18,401,378	$ 2,871,979
Short-Term Investments	24,608	23,838
Patient Accounts Receivable, Net	4,007,458	7,711,272
Estimated Amounts Due From Third-Party Payors	2,145,562	848,468
Other Receivables	65,307	69,451
Inventories	1,572,295	1,446,379
Prepaid Expenses and Other	1,150,005	864,185
Total Current Assets	27,366,613	13,835,572
ASSETS LIMITED AS TO USE - BOARD-DESIGNATED	98,133	85,617
EQUITY METHOD INVESTMENT	20,840	56,578
PROPERTY AND EQUIPMENT, NET	15,674,323	16,960,550
OTHER ASSETS		
Long-Term Prepaid Expenses	42,189	194,196
Total Assets	$ 43,202,098	$ 31,132,513

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MAY 31, 2020 AND 2019

LIABILITIES AND NET ASSETS	2020	2019
CURRENT LIABILITIES		
Accounts Payable	$ 5,237,742	$ 8,274,577
Accrued Expenses	1,857,322	2,504,519
Estimated Amounts Due To Third-Party Payors	1,716,618	1,278,372
Current Portion of Accounts Payable on Payment Plans	-	276,383
Current Portion of Capital Lease Obligations	341,186	456,147
Deferred Revenue	11,470,048	-
Total Current Liabilities	20,622,916	12,789,998
LONG-TERM LIABILITIES		
Long-Term Debt	4,843,500	-
Capital Lease Obligations, Less Current Portion	325,975	637,540
Total Long-Term Liabilities	5,169,475	637,540
Total Liabilities	25,792,391	13,427,538
NET ASSETS		
Net Assets without Donor Restrictions	17,276,233	17,402,975
Net Assets with Donor Restrictions	133,474	302,000
Total Net Assets	17,409,707	17,704,975
Total Liabilities and Net Assets	$ 43,202,098	$ 31,132,513

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
OPERATING REVENUE		
Net Patient Service Revenue (Net of Contractual Allowances and Discounts)	$ 61,026,293	$ 60,971,809
Provision for Uncollectible Accounts	(4,536,141)	(5,404,106)
Net Patient Service Revenue Less Provision for Uncollectible Accounts	56,490,152	55,567,703
Other Operating Revenue	6,906,401	7,223,164
Net Assets Released From Restrictions Used For Operations	292,631	199,480
Total Operating Revenues	63,689,184	62,990,347
OPERATING EXPENSES		
Salaries and Wages	27,570,890	27,340,094
Purchased Services	9,749,158	10,549,615
Supplies and Minor Equipment	9,435,689	9,574,660
Payroll Taxes and Benefits	5,162,659	5,232,710
Professional Fees	2,305,426	2,151,595
Depreciation	2,174,508	2,088,203
Leases and Rentals	1,328,180	1,328,552
Repairs and Maintenance	1,259,874	1,071,017
Other	3,615,068	2,037,505
Insurance	1,620,227	1,559,262
Telephone and Utilities	723,202	888,428
Travel, Meals, and Entertainment	59,178	129,214
Interest	24,388	107,756
Total Operating Expenses	65,028,447	64,058,611
LOSS FROM OPERATIONS	(1,339,263)	(1,068,264)
NONOPERATING GAINS (LOSSES)		
Investment Income	29,299	22,939
Mill Levy Income	1,207,994	1,491,348
Other Income (Loss)	(24,772)	(54,906)
Net Nonoperating Gains	1,212,521	1,459,381
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ (126,742)	$ 391,117

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF NET ASSETS
YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Increase (Decrease) in Net Assets Without Donor Restrictions	$ (126,742)	$ 391,117
NET ASSETS WITH DONOR RESTRICTIONS		
Restricted Grants and Donations	124,105	87,479
Net Assets Released from Restrictions	(292,631)	(199,480)
Decrease in Net Assets with Donor Restrictions	(168,526)	(112,001)
INCREASE (DECREASE) IN NET ASSETS	(295,268)	279,116
Net Assets - Beginning of Year	17,704,975	17,425,859
NET ASSETS - END OF YEAR	$ 17,409,707	$ 17,704,975

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ (295,268)	$ 279,116
Adjustment to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Provision for Uncollectible Accounts	4,536,141	5,404,106
Depreciation	2,174,508	2,088,203
(Gain) Loss on Disposal of Property and Equipment	13,250	(117)
Net Unrealized Gains on Assets Limited as to use	(2,508)	(33)
Loss on Equity Method Investment	35,738	58,023
Change in Current Assets and Liabilities:		
Patient Accounts Receivable	(832,327)	(2,645,563)
Other Receivables	4,144	64,873
Inventories	(125,916)	(33,046)
Prepaid Expenses and Other	(133,813)	(264,915)
Accounts Payable, Including Payables on Payment Plans	(2,930,773)	(451,851)
Accrued Expenses	(647,197)	13,031
Net Amounts Due to (from) Third-Party Payors	(858,848)	1,266,833
Deferred Revenue	11,470,048	-
Net Cash Provided by Operating Activities	12,407,179	5,778,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,283,976)	(2,038,515)
Proceeds from Sale of Equipment	-	1,818
Net (Purchases) Sales of Assets Limited as to us	(10,778)	5,143
Net Cash Used by Investing Activities	(1,294,754)	(2,031,554)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Repayments on Line of Credit	-	(1,794,713)
Issuance of Long-Term Debt	4,843,500	-
Principal Payments Under Capital Lease Obligations	(426,526)	(557,428)
Net Cash Provided (Used) by Financing Activities	4,416,974	(2,352,141)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,529,399	1,394,965
Cash and Cash Equivalents - Beginning of Year	2,871,979	1,477,014
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 18,401,378	$ 2,871,979
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments For Interest	$ 24,388	$ 107,756
Property And Equipment Financed in Accounts Payable	$ -	$ 382,445

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Taos Health Systems, Inc. (the Organization), located in Taos, New Mexico, is a nonprofit 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 compromised of the following distinct clinical units:

- Holy Cross Women's Health Institute (WHI), which provides obstetrics and gynecology services.
- Holy Cross Surgical Specialties (HCSS), which provides surgical services.
- Taos Dermatology, Breast and Plastic Surgery, provides dermatology services.
- Holy Cross Pediatrics and Primary Care, provides basic family clinic services.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis, whereas, revenue is recognized when earned, and expenses are recognized when incurred, which is in accordance with accounting principles generally accepted in the United States of America.

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 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Include net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. At times, the governing board can designate, from net assets without donor restrictions, net assets for a board-designated endowment or other purposes. At May 31, 2020 and 2019, the board of directors has designated assets to be used for the First Steps Program and nursing scholarships.

Net Assets With Donor Restrictions – Include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At May 31, 2020 and 2019, no donor-imposed restrictions were perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor restriction or by law. Expirations of donor restrictions on assets are reported as transfers between the applicable classes of net assets. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of the net asset without donor restriction class.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of demand deposit and money market accounts. For purposes of reporting cash flows, cash includes cash on hand and cash in banks. The Organization has from time to time deposits in excess of Federal Depository Insurance Corporation limits. Management believes any credit risk related to these deposits is minimal.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all debt securities included in investment portfolios are measured at fair value, based on quoted market prices.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of operations and changes of net assets as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for uncollectible accounts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a 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) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The allowance for uncollectible accounts was approximately $3,222,000 and $3,429,000 as of May 31, 2020 and 2019, respectively.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or net realizable value.

Assets Limited as to Use

Assets limited as to use primarily include designated assets set aside by the board of directors (the Board) for the First Steps Program and nursing scholarships, over which the Board retains control and may at its discretion subsequently use for other purposes.

Property and Equipment, Net

Property and equipment acquisitions are recorded at cost. The Organization capitalizes property and equipment additions in excess of $5,000. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the consolidated statements of operations. Depreciation and amortization expense for fiscal years 2020 and 2019 was $2,174,508 and $2,088,203, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

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

Buildings and Improvements	3 to 40 Years
Equipment	3 to 10 Years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may be not recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at May 31, 2020 and 2019.

Equity Method Investment

The Organization has a 50% ownership 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 the PHO.

Deferred Revenue

Revenue received in advance of the performance of services deemed to be exchange transactions are deferred until such time as related expenditures are incurred and then revenue is recognized.

Performance Indicator

Increase (decrease) in net assets without donor restrictions, as reflected in the accompanying statements of operations, is the performance indicator. The performance indicator includes all changes in net assets without donor restrictions, including investment income not restricted by donors and mill levy income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as the final settlements are determined.

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 $40,000 and $83,000 in 2020 and 2019, respectively.

Contributions

Contributions without donor restrictions are included in other operating revenue. Contributions restricted by the donors for specific purposes are reported as net assets with donor restrictions. As donor-restricted funds are used for operating expenses, such funds are transferred to net assets without donor restrictions and reported in the consolidated statements of operations.

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 four years starting in November 2016. The taxes are reported as revenue in the year in which the funds are approved to be spent. During the year ended May 31, 2020 and 2019, the Organization recorded $1,207,994 and $1,491,348, respectively, in revenue from the mill levy.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expenses for the years ended May 31, 2020 and 2019 were $100,550 and $92,596 respectively.

Professional Liability Claims

The Organization recognizes an accrual for claim liabilities based on estimated ultimate losses and costs of associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Organization adopted accounting standards regarding the fair value measurement of financial assets and liabilities. Fair value measurement applies to reported balances that are required or permitted to be measured at fair value under an existing accounting standard. The Organization emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions.

New Accounting Pronouncements

The Organization adopted FASB ASU 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958).* This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The adoption of this accounting standard did not have an impact on the Organization's financial position or changes in its net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued changes to the accounting requirements for recognizing revenue from contracts with customers. These changes created a comprehensive framework for entities in all industries to apply in the determination of when to recognize revenue and, therefore, supersede virtually all existing revenue recognition requirements and guidance. This framework is expected to provide a consistent and comparable methodology for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this principle, an entity will apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract(s), (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract(s), and (v) recognize revenue when, or as, the entity satisfies a performance obligation. In May 2020, FASB voted to extend by one year the effective date of this new standard, making it effective for the Organization for the year ended May 31, 2021. Management is evaluating the potential impact of these changes on the Organization’s consolidated financial statements.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standards. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity’s leasing activities. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization’s consolidated financial statements.

Tax Status

The IRS has determined that the Organization is a tax-exempt, nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Organization follows the guidance in the accounting standards regarding the recognition and measurement of uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements. The guidance further prescribes recognition and measurement of tax provisions taken or expected to be taken on a tax return that are not certain to be realized. The application of this standard has no impact on the Organization’s consolidated financial statements.

The Organization’s income tax returns are subject to review and examination by federal, state, and local authorities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain items in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Organization's overall net assets.

Subsequent Events

In preparing the consolidated financial statements, the Organization has considered events and transactions that have occurred through December 9, 2020, the date in which the consolidated financial statements were available to be issued.

NOTE 2 NET PATIENT SERVICE REVENUE

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

Medicare

The Organization has critical access hospital status and is reimbursed by Medicare for inpatient and outpatient services on a cost basis as defined and limited by the Medicare program. The Medicare program's administrative procedures preclude final determination of amounts due to the Organization for such services until three years after the Organization's cost reports are audited or otherwise reviewed and settled upon by the Medicare intermediary.

The Organization's Medicare cost reports have been finalized by the Medicare fiscal intermediary through the year ended May 31, 2018. The Organization's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by the peer review organization under contract with the Organization.

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 Payors

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.

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

Self-Pay Patients

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor 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.

Net revenue from the Medicare and Medicaid programs accounted for approximately 39% and 23%, respectively, of the Organization's net patient service revenue for the year ended May 31 2020. Net revenue from the Medicare and Medicaid programs accounted for approximately 39% and 21%, respectively, of the Organization's net patient service revenue for the year ended May 31 2019. 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.

Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

	2020	2019
Medicare	$ 23,798,337	$ 24,022,970
Medicaid	13,952,811	13,039,570
Other Third-Party Payors	22,898,351	23,179,255
Self-Pay	376,794	730,014
Total	$ 61,026,293	$ 60,971,809

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 2020 and 2019, the Organization recorded SNCP funding of approximately $4,959,000 and $6,233,000, respectively. Such amounts are reported as other revenue in the accompanying consolidated statements of operations. Management has estimated a third-party receivable for the years ended May 31, 2020 and 2019 of approximately $2,146,000 and $848,000, and an estimated liability of approximately $2,055,000 and $1,278,000, respectively, related to the SNCP funding. Estimates are continually monitored and reviewed, and as settlements are made or more information is made available to improve estimates, differences are reflected in current operations. Funding in future periods is uncertain, however, management expects to receive a similar amount of funding in fiscal year 2021 as in fiscal year 2020.

NOTE 3 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 18,401,378	$ 2,871,979
Short-Term Investments	24,608	23,838
Receivables:		
Patient Accounts Receivable, Net	4,007,458	7,711,272
Estimated Amounts Due from Third-Party Payors	2,145,562	848,468
Other	65,307	69,451
Assets Limited as to Use - Board-Designated	98,133	85,617
Total Financial Assets Available Within One Year	$ 24,742,446	$ 11,610,625

The Organization has certain board-designated net assets limited as to use which are available for the First Steps Program and nursing scholarships within one year in the normal course of operations. Accordingly, the assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

NOTE 4 INVESTMENTS AND INVESTMENT INCOME

Assets Limited as to Use

The composition of assets limited as to use at May 31, 2020 and 2019 are shown in the following table. Assets limited as to use are stated at fair value.

	2020	2019
Internally Designated For Nursing Scholarships		
Cash and Cash Equivalents	$ 12,363	$ 4,423
Internally Designated For First Step Program		
Cash and Cash Equivalents	17	17
Mutual Funds	85,753	81,177
Total Assets Limited as to Use	$ 98,133	$ 85,617

Investment Income

Investment income, fees, and gains and losses on assets limited as to use and cash and cash equivalents consist of the following for the years ended May 31:

	2020	2019
Interest and Dividend Income, Net	$ 26,139	$ 22,178
Realized and Unrealized Gains on		
Investments, Net	3,160	761
Total Investment Income	$ 29,299	$ 22,939

NOTE 5 PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at May 31 follows:

	2020	2019
Land	$ 2,461,483	$ 2,461,483
Land Improvements	3,403,121	3,449,863
Buildings	13,617,582	13,605,883
Equipment	21,797,160	21,781,687
Construction in Progress	644,498	1,631,020
Total Property and Equipment	41,923,844	42,929,936
Less: Accumulated Depreciation	(26,249,521)	(25,969,386)
Property and Equipment, Net	$ 15,674,323	$ 16,960,550

Construction in progress as of June 30, 2020, consists of various projects which are expected to be completed in fiscal year 2021. The expected total cost of these projects is approximately $660,000 and the projects are being funded internally.

NOTE 6 EQUITY METHOD INVESTMENT

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

	2020	2019
Condensed Income Statement Information		
Operating Revenues	$ 296,673	$ 147,178
Net Income (Loss)	$ (71,476)	$ (116,046)
The Organization's Portion of Change in Operations	$ (35,738)	$ (58,023)
Condensed Balance Sheet Information		
Total Assets	$ 211,572	$ 112,142
Total Liabilities	$ 169,892	$ -
Equity	$ 41,680	$ 112,142
Total Liabilities and Equity	$ 211,572	$ 112,142
The Organization's Ending Equity in Affiliate	$ 20,840	$ 56,578

NOTE 7 CAPITAL LEASE OBLIGATIONS

The Organization has entered into various capital leases for equipment. The total cost of the capital leases was $1,886,466 and $2,461,042 as of May 31, 2020 and 2019, respectively. The capital leases had accumulated depreciation of $1,027,322 and $1,112,166 as of May 31, 2020 and 2019, respectively.

The capital lease obligations have varying interest rates from 2.8% to 6.25% due through June 1, 2022. The capital lease obligations are collateralized by the leased equipment. The maturities of the capital lease obligations subsequent to May 31 are as follow:

Year Ending May 31,	Amount
2021	$ 358,635
2022	273,276
2023	45,546
Total Payments Due	677,457
Less: Amount Representing Interest	(10,296)
Less: Current Maturities	(341,186)
Noncurrent Portion of Capital Lease Obligations	$ 325,975

NOTE 8 LONG-TERM DEBT

On April 14, 2020, the Organization received a loan through the U.S. Small Business Administration Paycheck Protection Program (PPP) in the amount of $4,843,500. The loan was received as part of the response to the COVID-19 pandemic. The loan accrues interest at 1.00% and matures on April 14, 2022. Interest payments are due semi-annually beginning on October 14, 2020. On April 14, 2022, all unpaid principal and interest amounts are due. The loan has the potential to be either partially or fully forgiven if the Organization meets the PPP requirements. Subsequent to year end the SBA deferred principal and interest payments on PPP loans to the date the SBA remits the borrower's loan forgiveness amount to the lender.

NOTE 9 LINE OF CREDIT

The Organization entered into an 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. The line of credit was paid off during the year ended May 31, 2019 and was not extended.

NOTE 10 DEFERRED REVENUE

As part of the Organization's response to the COVID-19 pandemic it received advanced payments from Medicare in the amount of $7,071,126. These payments were received in April 2020 and will need to start to be repaid within a year from receipt. The Organization has up to twenty-nine months from the date the payments were made to repay the balance. The advanced payments are included in Deferred Revenue on the consolidated balance sheets at May 31, 2020.

As part of the Organization's response to the COVID-19 pandemic it received payments from the CARES Act Provider Relief Fund (PRF), which is administered by the U.S. Department of Health and Human Services. The Organization received PRF payments in the amount of $5,547,629 and recognized revenues in the amount of $1,148,707 during fiscal year 2020. The revenues recognized are included in Other Operating Revenue on the consolidated statements of operations. The remaining balance of $4,398,922 is included in deferred revenues at year-end. The PRF payments have terms and conditions that the Organization is required to follow and these funds are subject to audit. Include in the PRF terms and conditions is a potential for repayment of these funds if they are not fully used in line with the terms and conditions. Management believes the amounts have been recognized appropriately as of May 31, 2020.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

	2020	2019
Subject to Expenditure for Specified Purpose:		
Health Education	$ 6,910	$ 7,050
Purchase of Equipment	35,751	18,770
Health Care Programs	90,813	276,180
Total	$ 133,474	$ 302,000

NOTE 12 CONCENTRATIONS OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at May 31 is as follows:

	2020	2019
Medicare	29 %	29 %
Medicaid	21	18
Other Third-Party Payors	36	41
Patients	14	12
Total	100 %	100 %

NOTE 13 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table disclose the by level the fair value hierarchy of the Organization's assets at fair value as of May 31, 2020 and 2019:

	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	$ 85,753	$ -	$ -	$ 85,753
Beneficial Interest in Taos Community Foundation Investments	-	24,608	-	24,608
Total Investments	$ 85,753	$ 24,608	$ -	$ 110,361

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	$ 81,177	$ -	$ -	$ 81,177
Beneficial Interest in Taos Community Foundation Investments	-	23,838	-	23,838
Total Investments	$ 81,177	$ 23,838	$ -	$ 105,015

The Organization has an investment held at the Taos Community Foundation. The investment is a diversified portfolio consisting of various mutual funds. All of the securities are priced on observable inputs. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

NOTE 14 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.

NOTE 14 PENSION PLAN (CONTINUED)

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-year graduated schedule, but fully vested no later than the employee's sixty-fifth 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 $365,000 and $342,000 for fiscal years 2020 and 2019, respectively.

NOTE 15 FUNCTIONAL EXPENSES

The consolidated financial statements report certain expense categories that are attributable to more than health care services or support functions. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest, and other occupancy costs, are allocated to a function based on a square-footage or units-of-service basis. Allocated health care services costs not allocated on a units-of-service basis are otherwise allocated based on revenue. At May 31, expenses related to providing these services are as follows:

2020	Health Care Services	General and Administrative	Total
Salaries and Wages	$ 21,011,335	$ 6,559,555	$ 27,570,890
Purchased Services	6,143,372	3,605,786	9,749,158
Supplies and Minor Equipment	8,288,262	1,147,427	9,435,689
Payroll Taxes and Benefits	3,923,621	1,239,038	5,162,659
Professional Fees	2,294,885	10,541	2,305,426
Depreciation	1,543,901	630,607	2,174,508
Leases and Rentals	743,442	584,738	1,328,180
Repairs and Maintenance	811,330	448,544	1,259,874
Other	507,649	3,107,419	3,615,068
Insurance	1,539,991	80,236	1,620,227
Telephone and Utilities	51,472	671,730	723,202
Travel, Meals, and Entertainment	10,526	48,652	59,178
Interest	-	24,388	24,388
Total	$ 46,869,786	$ 18,158,661	$ 65,028,447

NOTE 15 FUNCTIONAL EXPENSES (CONTINUED)

2019	Health Care Services	General and Administrative	Total
Salaries and Wages	$ 20,755,893	$ 6,584,201	$ 27,340,094
Purchased Services	6,678,164	3,871,451	10,549,615
Supplies and Minor Equipment	8,580,853	993,807	9,574,660
Payroll Taxes and Benefits	4,133,841	1,098,869	5,232,710
Professional Fees	2,151,595	-	2,151,595
Depreciation	1,485,048	603,155	2,088,203
Leases and Rentals	784,263	544,289	1,328,552
Repairs and Maintenance	694,928	376,089	1,071,017
Other	275,946	1,761,559	2,037,505
Insurance	1,498,854	60,408	1,559,262
Telephone and Utilities	61,463	826,965	888,428
Travel, Meals, and Entertainment	10,926	118,288	129,214
Interest	-	107,756	107,756
Total	$ 47,111,774	$ 16,946,837	$ 64,058,611

NOTE 16 OPERATING LEASES

The Organization has entered into a lease arrangement with the county of Taos, New Mexico. The 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 for the county every two years on a calendar basis. These prepaid assets are included in Prepaid Expenses and Other in the consolidated balance sheets.

The Organization has various operating leases for building and equipment. Total expense was $1,328,180 in fiscal year 2020 and $1,328,552 in fiscal year 2019 for all operating leases. The following is a schedule by year of future minimum lease payments for the building and equipment under noncancelable operating leases as of May 31, which have initial or remaining lease terms in excess of one year:

Fiscal Years Ending,	Amount
2021	$ 669,153
2022	586,898
2023	296,389
2024	158,328
Total	$ 1,710,768

NOTE 17 COMMITMENTS AND CONTINGENCIES

Labor Agreements

At May 31, 2020, 107 of the Organization's 296 union-eligible employees were active under the collective bargaining agreements. At May 31, 2019, 100 out of the Organization's 310 union-eligible employees were active. Total employee count at year-end May 31, 2020 and 2019 was 412 and 410, 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 $90,000 per employee per plan year. As of May 31, 2020 and 2019, the Organization accrued employee insurance claims of $405,271 and $441,531, respectively, which are included in Accounts Payable in the accompanying consolidated balance sheets.

Stop-loss premiums and claims payments totaling $2,442,145 and $2,556,727 were expended during the years ended May 31, 2020 and 2019, respectively, and are included in Payroll Taxes and 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 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 expense, an accrual has 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 $871,000 and $1,144,000 as of May 31, 2020 and 2019, respectively. Professional liability reserve estimates represent the estimated cost of reported and unreported losses incurred through the respective consolidated balance sheet 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.

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Workers' Compensation Insurance

The Organization is insured under the New Mexico Hospital Workers' Compensation Group for purpose of providing insurance coverage for worker's 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 $315,000 and $347,000 in workers' compensation premiums during 2020 and 2019, respectively. Such amounts are included in Payroll Taxes and Benefits in the accompanying consolidated statements of operations.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. This coverage has not changed significantly from the previous year.

Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Organization is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Other

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying consolidated financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

NOTE 17 COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of May 31, 2020.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Taos Health Systems, Inc. (the Organization), which comprise the consolidated balance sheet as of May 31, 2020, and the related consolidated statements operations, net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 9, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Taos Health Systems, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 9, 2020