

Form **990**

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

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

2020

Department of the Treasury
Internal Revenue Service

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 2020 calendar year, or tax year beginning **JUN 1, 2020** and ending **MAY 31, 2021**

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization TAOS HEALTH SYSTEMS, INC.		D Employer identification number 85-0289839
	Doing business as HOLY CROSS MEDICAL CENTER		E Telephone number 575-758-8883
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite 1397 WEIMER RD.	G Gross receipts \$ 80,986,081.	
	City or town, state or province, country, and ZIP or foreign postal code TAOS, NM 87571		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	F Name and address of principal officer: WILLIAM PATTEN JR SAME AS C ABOVE		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> 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: **HOLYCROSSMEDICALCENTER.ORG**

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.		
	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)	3	12
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5 Total number of individuals employed in calendar year 2020 (Part V, line 2a)	5	520
	6 Total number of volunteers (estimate if necessary)	6	60
	7 a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b Net unrelated business taxable income from Form 990-T, Part I, line 11	7b	0.	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
	9 Program service revenue (Part VIII, line 2g)	1,310,947.	7,969,485.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	66,076,780.	72,336,558.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	13,541.	-4,424.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	1,860,176.	602,842.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	69,261,444.	80,904,461.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	28,295.	423,060.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	0.	0.
	16 a Professional fundraising fees (Part IX, column (A), line 11e)	32,733,549.	36,214,395.
	b Total fundraising expenses (Part IX, column (D), line 25)	0.	0.
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	36,797,376.	40,158,758.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	69,559,220.	76,796,213.
19 Revenue less expenses. Subtract line 18 from line 12	-297,776.	4,108,248.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
	21 Total liabilities (Part X, line 26)	43,202,098.	43,385,758.
	22 Net assets or fund balances. Subtract line 21 from line 20	25,792,391.	21,862,884.

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			
	WILLIAM PATTEN JR, CEO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name SARAH HINTZ	Preparer's signature SARAH HINTZ	Date 04/13/22	Check if self-employed <input type="checkbox"/>	PTIN P00492291
	Firm's name CLIFTONLARSONALLEN LLP	Firm's address 8390 EAST CRESCENT PARKWAY, SUITE 300 GREENWOOD VILLAGE, CO 80111	Firm's EIN 41-0746749	Phone no. (303) 779-5710	

May the IRS discuss this return with the preparer shown above? See instructions Yes No

Part III Statement of Program Service Accomplishments

Check 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

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

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses.

4a (Code:) (Expenses \$ 58,950,502. including grants of \$ 423,060.) (Revenue \$ 72,336,558.) ACUTE CARE HOSPITAL OPERATIONS INCLUDING 1,175 INPATIENT ADMISSIONS 69,313 OUTPATIENT VISITS AND 13,449 EMERGENCY DEPARTMENT VISITS. ADDITIONALLY, CLINIC VISITS TOTALING 11,352 FROM THE FOLLOWING: TAOS SURGICAL SPECIALISTS - 5,813 TAOS WOMENS HEALTH INSTITUTE - 4,876 TAOS DERMATOLOGY, BREAST AND PLASTIC SURGERY - 262 TAOS PRIMARY CARE - 2 TAOS PEDIATRICS -399.

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe on Schedule O.) (Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses 58,950,502.

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)? <i>If "Yes," complete Schedule A</i>	X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?	X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>		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? <i>If "Yes," complete Schedule C, Part II</i>	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? <i>If "Yes," complete Schedule C, Part III</i>		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? <i>If "Yes," complete Schedule D, Part I</i>		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? <i>If "Yes," complete Schedule D, Part II</i>		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>	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? <i>If "Yes," complete Schedule D, Part IV</i>		X
10 Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i>	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? <i>If "Yes," complete Schedule D, Part VI</i>	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? <i>If "Yes," complete Schedule D, Part VII</i>		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? <i>If "Yes," complete Schedule D, Part VIII</i>		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? <i>If "Yes," complete Schedule D, Part IX</i>		X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>		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)? <i>If "Yes," complete Schedule D, Part X</i>	X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>		X
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	X	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		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? <i>If "Yes," complete Schedule F, Parts I and IV</i>		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? <i>If "Yes," complete Schedule F, Parts II and IV</i>		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? <i>If "Yes," complete Schedule F, Parts III and IV</i>		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? <i>If "Yes," complete Schedule G, Part I</i>		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? <i>If "Yes," complete Schedule G, Part II</i>	X	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>		X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	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>		X

Part IV Checklist of Required Schedules (continued)

	Yes	No
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>	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>	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>		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
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>		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>		X
26 Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		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, key employee, creator or founder, or substantial contributor? <i>If "Yes," complete Schedule L, Part IV</i>		X
b A family member of any individual described in line 28a? <i>If "Yes," complete Schedule L, Part IV</i>	X	
c A 35% controlled entity of one or more individuals and/or organizations described in lines 28a or 28b? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		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>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		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>		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>	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>		X
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		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>		
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>		X
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>		X
38 Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

Note: All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check 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		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

Table with columns for question number, question text, and Yes/No checkboxes. Includes questions 2a through 16 regarding employee counts, tax returns, business income, foreign accounts, prohibited transactions, and charitable contributions.

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 on 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

Table with 3 columns: Question, Yes, No. Rows include 1a (12), 1b (12), 2, 3, 4, 5, 6, 7a, 7b, 8a, 8b, 9.

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

Table with 3 columns: Question, Yes, No. Rows include 10a, 10b, 11a, 11b, 12a, 12b, 12c, 13, 14, 15a, 15b, 16a, 16b.

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 (1024 or 1024-A, if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection.
19 Describe on 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

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check 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.
- See instructions for the order in which to list the persons above.

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 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) DR. WILLIAM DOUGHERTY PHYSICIAN	40.00				X		502,313.	0.	12,910.	
(2) DR. STEPHEN LUCERO PHYSICIAN	40.00				X		490,784.	0.	26,704.	
(3) DR. JOHN WELLS PHYSICIAN	40.00				X		417,721.	0.	31,660.	
(4) DR. JEFFREY GIDDENS PHYSICIAN	40.00				X		393,986.	0.	24,222.	
(5) DR. HEATHER MARSHALL PHYSICIAN	40.00				X		384,154.	0.	32,700.	
(6) DR. TIM MOORE BOARD MEMBER & CHIEF OF STAFF	40.00			X			378,670.	0.	24,154.	
(7) WILLIAM PATTEN, JR. CEO	50.00			X			371,463.	0.	26,922.	
(8) STEVE ROZENBOOM CFO	50.00			X			223,610.	0.	26,928.	
(9) PAM AKIN, CLNC CNO	45.00			X			183,761.	0.	23,575.	
(10) JAY CHRIS STAGG CHAIR	1.00	X		X			0.	0.	0.	
(11) TRINIDAD DE JESUS ARGUELLO VICE CHAIR	1.00	X		X			0.	0.	0.	
(12) LUCILLE GALLEGOS-JARAMILLO SECRETARY	1.00	X		X			0.	0.	0.	
(13) MENICE SANTISTEVAN TREASURER	1.00	X		X			0.	0.	0.	
(14) REY GARCIA BOARD MEMBER	1.00	X					0.	0.	0.	
(15) JOAQUIN GONZALES BOARD MEMBER	1.00	X					0.	0.	0.	
(16) EDUARDO SAMPERE BOARD MEMBER	1.00	X					0.	0.	0.	
(17) MENICE SANTISTEVAN BOARD MEMBER	1.00	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 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			
(18) DR. PETER SELZER BOARD MEMBER	1.00	X						0.	0.	0.
(19) LYNN SKALL BOARD MEMBER	1.00	X						0.	0.	0.
(20) CINDY VEST BOARD MEMBER	1.00	X						0.	0.	0.
(21) BARBARA VONDY BOARD MEMBER	1.00	X						0.	0.	0.
1b Subtotal								3,346,462.	0.	229,775.
c Total from continuation sheets to Part VII, Section A								0.	0.	0.
d Total (add lines 1b and 1c)								3,346,462.	0.	229,775.

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 **9**

	Yes	No
3 Did the organization list any former officer, director, 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
MEDEFIS INC PO BOX 5068, NEW YORK, NY 10087	CONTRACT LABOR	5,339,262.
CPSI 235 SOUTHWOODS DR #2466, COLUMBIA, IL 62236	TRUBRIDGE SERVICES	1,844,035.
LABORATORY CORP OF AMERICA HOL PO BOX 12140, BURLINGTON, NC 27216	LAB SERVICES	1,062,395.
CLINICAL COLLEAGUES, 1121 N BETHLEHEM PIKE, SUITE 60-324, SPRINGHOUSE, PA 19477	CRNA	892,040.
MEDICAL SOLUTIONS PO BOX 310737, DES MOINES, IA 50331	CONTRACT LABOR	774,200.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **12**

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512 - 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c	27,099.				
	d Related organizations	1d					
	e Government grants (contributions)	1e	7,028,392.				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	913,994.				
	g Noncash contributions included in lines 1a-1f	1g	\$ 18,065.				
	h Total. Add lines 1a-1f			7,969,485.			
	Program Service Revenue	2 a NET PATIENT SERVICE REVENUE	Business Code	624100	67,115,483.	67,115,483.	
b INDIGENT FUND REVENUE			624100	5,221,075.	5,221,075.		
c							
d							
e							
f All other program service revenue							
g Total. Add lines 2a-2f				72,336,558.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			28,122.		28,122.	
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6 a Gross rents	6a	(i) Real				
			(ii) Personal				
	b Less: rental expenses	6b					
	c Rental income or (loss)	6c					
	d Net rental income or (loss)						
	7 a Gross amount from sales of assets other than inventory	7a	(i) Securities	7,401.			
			(ii) Other				
	b Less: cost or other basis and sales expenses	7b	1,698.	38,249.			
	c Gain or (loss)	7c	5,703.	-38,249.			
	d Net gain or (loss)			-32,546.		-32,546.	
8 a Gross income from fundraising events (not including \$ 27,099. of contributions reported on line 1c). See Part IV, line 18	8a		20,165.				
		b Less: direct expenses	8b	41,673.			
		c Net income or (loss) from fundraising events			-21,508.		-21,508.
9 a Gross income from gaming activities. See Part IV, line 19	9a						
		b Less: direct expenses	9b				
		c Net income or (loss) from gaming activities					
10 a Gross sales of inventory, less returns and allowances	10a						
		b Less: cost of goods sold	10b				
		c Net income or (loss) from sales of inventory					
Miscellaneous Revenue	11 a OTHER MISC REVENUE	Business Code	900099	434,656.		434,656.	
	b FOOD SERVICE INCOME		900099	195,316.		195,316.	
	c INCOME FROM EQUITY INVESTEE		900099	-5,622.		-5,622.	
	d All other revenue						
	e Total. Add lines 11a-11d			624,350.			
12 Total revenue. See instructions			80,904,461.	72,336,558.	0.	598,418.	

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 X

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 ...				
2 Grants and other assistance to domestic individuals. See Part IV, line 22	423,060.	423,060.		
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	857,980.	670,762.	187,218.	
6 Compensation not included above to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
7 Other salaries and wages	29,333,692.	22,932,864.	6,400,828.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	3,587,449.	2,804,641.	782,808.	
9 Other employee benefits	434,703.	339,848.	94,855.	
10 Payroll taxes	2,000,571.	1,564,032.	436,539.	
11 Fees for services (nonemployees):				
a Management				
b Legal	1,326,211.		1,326,211.	
c Accounting	44,085.		44,085.	
d Lobbying	6,179.		6,179.	
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch. O.)	15,083,631.	11,389,431.	3,694,200.	
12 Advertising and promotion	102,459.	9,425.	93,034.	
13 Office expenses	1,304,606.	1,142,675.	161,931.	
14 Information technology	317,229.	277,854.	39,375.	
15 Royalties				
16 Occupancy	2,073,787.	867,160.	1,206,627.	
17 Travel	10,628.	10,628.		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials ...				
19 Conferences, conventions, and meetings	77,996.	7,174.	70,822.	
20 Interest	4,208.		4,208.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,208,616.	1,568,117.	640,499.	
23 Insurance	1,717,471.	1,633,081.	84,390.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
a MEDICAL SUPPLIES	9,559,409.	9,559,409.		
b BAD DEBT EXPENSE	2,413,058.	2,413,058.		
c TAXES	1,219,436.	112,169.	1,107,267.	
d MAINTENANCE & REPAIRS	1,041,265.	833,858.	207,407.	
e All other expenses	1,648,484.	391,256.	1,257,228.	
25 Total functional expenses. Add lines 1 through 24e	76,796,213.	58,950,502.	17,845,711.	0.
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)				

Part X Balance Sheet

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

		(A)		(B)
		Beginning of year		End of year
Assets	1 Cash - non-interest-bearing	18,069,460.	1	12,215,480.
	2 Savings and temporary cash investments	356,526.	2	1,439,721.
	3 Pledges and grants receivable, net	43,373.	3	13,483.
	4 Accounts receivable, net	6,153,020.	4	10,189,580.
	5 Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B)		6	
	7 Notes and loans receivable, net	20,210.	7	18,553.
	8 Inventories for sale or use	1,572,295.	8	1,610,717.
	9 Prepaid expenses and deferred charges	1,192,194.	9	1,885,233.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 43,868,111.		
	b Less: accumulated depreciation	10b 28,092,310.		
	11 Investments - publicly traded securities	98,133.	11	108,434.
	12 Investments - other securities. See Part IV, line 11		12	
	13 Investments - program-related. See Part IV, line 11	20,840.	13	15,218.
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11	1,724.	15	113,538.
16 Total assets. Add lines 1 through 15 (must equal line 33)	43,202,098.	16	43,385,758.	
Liabilities	17 Accounts payable and accrued expenses	9,152,868.	17	9,972,187.
	18 Grants payable		18	
	19 Deferred revenue	11,470,048.	19	6,962,176.
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		22	
	23 Secured mortgages and notes payable to unrelated third parties	5,169,475.	23	4,928,521.
	24 Unsecured notes and loans payable to unrelated third parties		24	
	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		25	
	26 Total liabilities. Add lines 17 through 25	25,792,391.	26	21,862,884.
Net Assets or Fund Balances	Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33.			
	27 Net assets without donor restrictions	17,276,233.	27	21,286,020.
	28 Net assets with donor restrictions	133,474.	28	236,854.
	Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.			
	29 Capital stock or trust principal, or current funds		29	
	30 Paid-in or capital surplus, or land, building, or equipment fund		30	
	31 Retained earnings, endowment, accumulated income, or other funds		31	
	32 Total net assets or fund balances	17,409,707.	32	21,522,874.
	33 Total liabilities and net assets/fund balances	43,202,098.	33	43,385,758.

Part XI Reconciliation of Net Assets

Check 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	80,904,461.
2	Total expenses (must equal Part IX, column (A), line 25)	2	76,796,213.
3	Revenue less expenses. Subtract line 2 from line 1	3	4,108,248.
4	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	4	17,409,707.
5	Net unrealized gains (losses) on investments	5	4,919.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain on Schedule O)	9	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B))	10	21,522,874.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

	Yes	No
1 Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
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: <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	X	
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 on Schedule O.	X	
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? _____		X
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 on Schedule O and describe any steps taken to undergo such audits _____		

Form 990 (2020)

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

2020

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		
Total						

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) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(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) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(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 5 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 2020 (line 6, column (f), divided by line 11, column (f))	14	%
15 Public support percentage from 2019 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2020. 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 - 2019. 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 - 2020. 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 - 2019. 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) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(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) 2016	(b) 2017	(c) 2018	(d) 2019	(e) 2020	(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 5 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**

Section C. Computation of Public Support Percentage

15 Public support percentage for 2020 (line 8, column (f), divided by line 13, column (f))	15	%
16 Public support percentage from 2019 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2020 (line 10c, column (f), divided by line 13, column (f))	17	%
18 Investment income percentage from 2019 Schedule A, Part III, line 17	18	%

19a 33 1/3% support tests - 2020. 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 - 2019. 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 box 12a, Part I, complete Sections A and B. If you checked box 12b, Part I, complete Sections A and C. If you checked box 12c, Part I, complete Sections A, D, and E. If you checked box 12d, 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 lines 3b and 3c 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 box 12a or 12b in Part I, answer lines 4b and 4c 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 lines 5b and 5c 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 (as 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 line 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 lines 11b and 11c below, the governing body of a supported organization?		
b A family member of a person described in line 11a above?		
c A 35% controlled entity of a person described in line 11a or 11b above? <i>If "Yes" to line 11a, 11b, or 11c, provide detail in Part VI.</i>		

Section B. Type I Supporting Organizations

	Yes	No
1 Did the governing body, members of the governing body, officers acting in their official capacity, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's officers, directors, or trustees at all times during the tax year? <i>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 officers, directors, or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>		
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? <i>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.</i>		

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)? <i>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).</i>		

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? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>		
3 By reason of the relationship described in line 2, above, 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? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>		

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 governmental entity (see instructions).		
2 Activities Test. Answer lines 2a and 2b 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? <i>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.</i>	Yes	No
b Did the activities described in line 2a, above, constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>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.</i>		
3 Parent of Supported Organizations. Answer lines 3a and 3b 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? <i>If "Yes" or "No" provide details in Part VI.</i>		
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>		

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 0.015 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 0.035.	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 0.85 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).		

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	1
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	2
3	Administrative expenses paid to accomplish exempt purposes of supported organizations	3
4	Amounts paid to acquire exempt-use assets	4
5	Qualified set-aside amounts (prior IRS approval required - <i>provide details in Part VI</i>)	5
6	Other distributions (<i>describe in Part VI</i>). See instructions.	6
7	Total annual distributions. Add lines 1 through 6.	7
8	Distributions to attentive supported organizations to which the organization is responsive (<i>provide details in Part VI</i>). See instructions.	8
9	Distributable amount for 2020 from Section C, line 6	9
10	Line 8 amount divided by line 9 amount	10

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2020	(iii) Distributable Amount for 2020
1 Distributable amount for 2020 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2020 (reasonable cause required - <i>explain in Part VI</i>). See instructions.			
3 Excess distributions carryover, if any, to 2020			
a From 2015			
b From 2016			
c From 2017			
d From 2018			
e From 2019			
f Total of lines 3a through 3e			
g Applied to underdistributions of prior years			
h Applied to 2020 distributable amount			
i Carryover from 2015 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from line 3f.			
4 Distributions for 2020 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2020 distributable amount			
c Remainder. Subtract lines 4a and 4b from line 4.			
5 Remaining underdistributions for years prior to 2020, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, <i>explain in Part VI</i> . See instructions.			
6 Remaining underdistributions for 2020. Subtract lines 3h and 4b from line 1. For result greater than zero, <i>explain in Part VI</i> . See instructions.			
7 Excess distributions carryover to 2021. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2016			
b Excess from 2017			
c Excess from 2018			
d Excess from 2019			
e Excess from 2020			

Schedule A (Form 990 or 990-EZ) 2020

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.)

Horizontal lines for supplemental information.

Schedule B

(Form 990, 990-EZ, or 990-PF)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

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

OMB No. 1545-0047

2020

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 (entering "N/A" in column (b) instead of the contributor name and address), 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	<hr/> <hr/> <hr/>	\$ 10,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	<hr/> <hr/> <hr/>	\$ 30,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
3	<hr/> <hr/> <hr/>	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>	\$ _____	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 info. once.) ▶ \$ _____
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	
(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	
(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	
(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	

SCHEDULE C
(Form 990 or 990-EZ)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2020

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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.**

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.
- 2 Political campaign activity expenditures ▶ \$ 0.
- 3 Volunteer hours for political campaign activities 0.

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 ▶ \$ 0.
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ▶ \$ 0.
- 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-.

For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ. **Schedule C (Form 990 or 990-EZ) 2020**

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 (grassroots 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.															
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>	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.			
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) 2017	(b) 2018	(c) 2019	(d) 2020	(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					

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		6,179.
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?		X	
j Total. Add lines 1c through 1i			6,179.
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

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.

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

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

2020

Open to Public Inspection

Name of the organization TAOS HEALTH SYSTEMS, INC. **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).
 Preservation of land for public use (for example, recreation or education) Preservation of a historically important land area
 Protection of natural habitat Preservation of a certified historic structure
 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?

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)?

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 FASB 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 FASB 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 FASB ASC 958 relating to these items:

a Revenue included on Form 990, Part VIII, line 1

b Assets included in Form 990, Part X

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990. Schedule D (Form 990) 2020

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 make significant use of its collection items (check all that apply):
- a Public exhibition
 - b Scholarly research
 - c Preservation for future generations
 - d Loan or exchange program
 - e Other _____
- 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	24,607.	23,838.	23,728.	22,909.	22,182.
b Contributions					
c Net investment earnings, gains, and losses	2,484.	999.	722.	1,324.	1,192.
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	465.	229.	612.	505.	465.
g End of year balance	26,626.	24,607.	23,838.	23,728.	22,909.

- 2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:
- a Board designated or quasi-endowment .0000 %
 - b Permanent endowment .0000 %
 - c Term endowment 100 %
- 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:
- | | Yes | No |
|---|-----|----|
| (i) Unrelated organizations | X | |
| (ii) Related organizations | | X |
| b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R? <input type="checkbox"/> | 3b | |
- 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		13,751,844.	7,589,133.	6,162,711.
c Leasehold improvements		3,393,388.	2,298,277.	1,095,111.
d Equipment		24,224,730.	17,674,732.	6,549,998.
e Other		852,666.	530,168.	322,498.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				15,775,801.

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. (Col. (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. (Col. (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)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	

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 FASB 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	78,131,518.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:			
a	Net unrealized gains (losses) on investments	2a	4,919.	
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII.)	2d	41,673.	
e	Add lines 2a through 2d	2e		46,592.
3	Subtract line 2e from line 1		3	78,084,926.
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	2,819,535.	
c	Add lines 4a and 4b	4c		2,819,535.
5	Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)		5	80,904,461.

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	74,018,351.
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	41,673.	
e	Add lines 2a through 2d	2e		41,673.
3	Subtract line 2e from line 1		3	73,976,678.
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	2,819,535.	
c	Add lines 4a and 4b	4c		2,819,535.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)		5	76,796,213.

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.

PART X, LINE 2:

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.

Part XIII Supplemental Information (continued)

THE ORGANIZATION'S INCOME TAX RETURNS ARE SUBJECT TO REVIEW AND EXAMINATION BY FEDERAL, STATE, AND LOCAL AUTHORITIES.

PART XI, LINE 2D - OTHER ADJUSTMENTS:

FUNDRAISING EXPENSES 41,673.

PART XI, LINE 4B - OTHER ADJUSTMENTS:

BAD DEBT RECLASSIFICATION 2,413,058.

CHARITABLE CARE 406,477.

TOTAL TO SCHEDULE D, PART XI, LINE 4B 2,819,535.

PART XII, LINE 2D - OTHER ADJUSTMENTS:

FUNDRAISING EXPENSES 41,673.

PART XII, LINE 4B - OTHER ADJUSTMENTS:

BAD DEBT RECLASSIFICATION 2,413,058.

CHARITABLE CARE 406,477.

TOTAL TO SCHEDULE D, PART XII, LINE 4B 2,819,535.

SCHEDULE D, PART III, LINE 1A

FINANCIAL STATEMENT FOOTNOTE OR 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

Part XIII Supplemental Information (continued)

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

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

SCHEDULE G
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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.

OMB No. 1545-0047

2020

Open to Public Inspection

▶ Attach to Form 990 or Form 990-EZ.

▶ 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

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 Mail solicitations
- b Internet and email solicitations
- c Phone solicitations
- d In-person solicitations
- e Solicitation of non-government grants
- f Solicitation of government grants
- g Special fundraising events

2 a 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			
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	(b) Event #2	(c) Other events	(d) Total events (add col. (a) through col. (c))
		FOR THE HEALTH (event type)	PAINT TAOS PINK (event type)	NONE (total number)	
Revenue	1	Gross receipts	27,349.	19,915.	47,264.
	2	Less: Contributions	25,249.	1,850.	27,099.
	3	Gross income (line 1 minus line 2)	2,100.	18,065.	20,165.
Direct Expenses	4	Cash prizes			
	5	Noncash prizes		18,065.	18,065.
	6	Rent/facility costs			
	7	Food and beverages			
	8	Entertainment			
	9	Other direct expenses	3,968.	19,640.	23,608.
	10	Direct expense summary. Add lines 4 through 9 in column (d)			41,673.
11	Net income summary. Subtract line 10 from line 3, column (d)			-21,508.	

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: _____

10a 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:

13a		%
13b		%

 - a** The organization's facility
 - b** An outside facility
- 14** Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

- 15a** 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 explanations 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)**

Department of the Treasury
Internal Revenue Service

Hospitals

- ▶ 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.

OMB No. 1545-0047

2020

Open to Public Inspection

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	<input checked="" type="checkbox"/>	
b If "Yes," was it a written policy?	<input checked="" type="checkbox"/>	
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 _____ %	<input checked="" type="checkbox"/>	
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 _____ %	<input checked="" type="checkbox"/>	
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"?	<input checked="" type="checkbox"/>	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?		<input checked="" type="checkbox"/>
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		
c 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?		<input checked="" type="checkbox"/>
b 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

	(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
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)			192,657.		192,657.	.26%
b Medicaid (from Worksheet 3, column a)			16454159.	18811928.	0.	.00%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total. Financial Assistance and Means-Tested Government Programs			16646816.	18811928.	192,657.	.26%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			6019687.	1880176.	4139511.	5.57%
f Health professions education (from Worksheet 5)			63,070.		63,070.	.08%
g Subsidized health services (from Worksheet 6)			5866249.	3274135.	2592114.	3.48%
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			2,000.		2,000.	.00%
j Total. Other Benefits			11951006.	5154311.	6796695.	9.13%
k Total. Add lines 7d and 7j			28597822.	23966239.	6989352.	9.39%

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.

Table with 7 columns: (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. Rows include Physical improvements and housing, Economic development, Community support, Environmental improvements, Leadership development and training for community members, Coalition building, Community health improvement advocacy, Workforce development, Other, and Total.

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

Table for Section A. Bad Debt Expense with columns Yes and No. Row 1: Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? (Yes, No) Row 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, 2,413,058.) Row 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, 1,447,835.) Row 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

Table for Section B. Medicare with columns Yes and No. Row 5: Enter total revenue received from Medicare (including DSH and IME) (5, 14,623,355.) Row 6: Enter Medicare allowable costs of care relating to payments on line 5 (6, 32,535,232.) Row 7: Subtract line 6 from line 5. This is the surplus (or shortfall) (7, -17,911,877.) Row 8: Describe in Part VI the extent to which any shortfall reported on 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: [] Cost accounting system [X] Cost to charge ratio [] Other

Section C. Collection Practices

Table for Section C. Collection Practices with columns Yes and No. Row 9a: Did the organization have a written debt collection policy during the tax year? (9a, X) Row 9b: 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)

Table for Part IV Management Companies and Joint Ventures with 5 columns: (a) Name of entity, (b) Description of primary activity of entity, (c) Organization's profit % or stock ownership %, (d) Officers, directors, or trustees, or key employees' profit % or stock ownership %, (e) Physicians' profit % or stock ownership %

Part V Facility Information

Section A. Hospital Facilities

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

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)

1 TAOS HEALTH SYSTEMS, INC.
1397 WEIMER ROAD
TAOS, NM 87571
HTTP://HOLYCROSSMEDICALCENTER.ORG
6432

Table with columns: Licensed hospital, gen. medical & surgical, Children's hospital, Teaching hospital, Critical access hospital, Research facility, ER-24 hours, ER-other, Other (describe), Facility reporting group. Row 1: X, X, , , , , X, , , ,

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

	Yes	No
Community Health Needs Assessment		
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	X	
If "Yes," indicate what the CHNA report describes (check all that apply):		
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>19</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
b 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?	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>SEE LINE 7D</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>18</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	X	
a If "Yes," (list url): <u>SEE LINE 7D</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?	X	
If "Yes," indicate the eligibility criteria explained in the FAP:		
a <input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>100</u> % and FPG family income limit for eligibility for discounted care of <u>300</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 checked="" 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>SEE LINE 16J</u>		
b <input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>SEE LINE 16J</u>		
c <input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>SEE LINE 16J</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 Limited English Proficiency (LEP) populations		
j <input checked="" type="checkbox"/> Other (describe in Section C)		

Part V Facility Information (continued)

Billing and Collections

Name of hospital facility or letter of facility reporting group TAOS HEALTH SYSTEMS, INC.

	Yes	No
<p>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?</p>	X	
<p>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:</p> <p>a <input type="checkbox"/> Reporting to credit agency(ies)</p> <p>b <input type="checkbox"/> Selling an individual's debt to another party</p> <p>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</p> <p>d <input type="checkbox"/> Actions that require a legal or judicial process</p> <p>e <input type="checkbox"/> Other similar actions (describe in Section C)</p> <p>f <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted</p>		
<p>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?</p> <p>If "Yes," check all actions in which the hospital facility or a third party engaged:</p> <p>a <input type="checkbox"/> Reporting to credit agency(ies)</p> <p>b <input type="checkbox"/> Selling an individual's debt to another party</p> <p>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</p> <p>d <input type="checkbox"/> Actions that require a legal or judicial process</p> <p>e <input type="checkbox"/> Other similar actions (describe in Section C)</p>		X
<p>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):</p> <p>a <input checked="" 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 (if not, describe in Section C)</p> <p>b <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C)</p> <p>c <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C)</p> <p>d <input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C)</p> <p>e <input type="checkbox"/> Other (describe in Section C)</p> <p>f <input type="checkbox"/> None of these efforts were made</p>		

Policy Relating to Emergency Medical Care

<p>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?</p> <p>If "No," indicate why:</p> <p>a <input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions</p> <p>b <input type="checkbox"/> The hospital facility's policy was not in writing</p> <p>c <input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)</p> <p>d <input type="checkbox"/> Other (describe in Section C)</p>	X	
--	----------	--

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			
<p>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.</p> <p>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</p> <p>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</p> <p>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</p> <p>d <input type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method</p>						
<p>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?</p> <p>If "Yes," explain in Section C.</p>		23	X			
<p>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?</p> <p>If "Yes," explain in Section C.</p>		24	X			

Schedule H (Form 990) 2020

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, 20a, 20b, 20c, 20d, 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.

TAOS HEALTH SYSTEMS, INC.:

PART V, SECTION B, LINE 5: FEDERAL REGULATIONS SURROUNDING CHNA REQUIRE LOCAL INPUT FROM REPRESENTATIVES OF PARTICULAR DEMOGRAPHIC SECTORS. FOR THIS REASON, A STANDARD PROCESS OF GATHERING COMMUNITY INPUT WAS DEVELOPED.

A CHNA SURVEY WAS DEPLOYED TO THE HOSPITAL'S LOCAL EXPERT ADVISORS TO GAIN INPUT ON 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 ENT THE REGION'S GEOGRAPHICALLY AND ETHNICALLY ON. COMMUNITY INPUT FROM 15 LOCAL EXPERT ADVISORS WAS RECEIVED. SURVEY RESPONSES STARTED JANUARY 7, 2019 AND ENDED ON JANUARY 25, 2019.

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 CONDITIONS, 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, WERE ABSTRACTED IN THE FOLLOWING "TAKE-AWAY" BULLETED COMMENTS:

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, 20a, 20b, 20c, 20d, 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.

- THE TOP THREE PRIORITY POPULATIONS IN THE AREA ARE LOW-INCOME RESIDENTS, RESIDENTS OF RURAL AREAS AND CHILDREN

- THERE IS A LACK OF BEHAVIORAL HEALTH AND SUBSTANCE ABUSE SUPPORT IN THE COMMUNITY

- THERE SHOULD BE A FOCUS ON AFFORDABLE HEALTHCARE, HOUSING, TRANSPORTATION AND EDUCATION

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 HCMC 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, MOST OF THE COMMENTS AGREED WITH THE FINDINGS. A LIST OF ALL NEEDS IDENTIFIED BY ANY OF THE ANALYZED DATA WAS DEVELOPED. THE LOCAL EXPERTS THEN ALLOCATED 100 POINTS AMONG THE LIST OF HEALTH NEEDS, INCLUDING THE OPPORTUNITY TO LIST ADDITIONAL NEEDS THAT WERE NOT IDENTIFIED FROM THE DATA.

THE RANKED NEEDS WERE DIVIDED INTO TWO GROUPS: "SIGNIFICANT" AND "OTHER IDENTIFIED NEEDS." THE SIGNIFICANT NEEDS WERE PRIORITIZED BASED ON TOTAL POINTS CAST BY THE LOCAL EXPERTS IN DESCENDING ORDER, FURTHER RANKED BY THE NUMBER OF LOCAL EXPERTS CASTING ANY POINTS FOR THE NEED. BY

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, 20a, 20b, 20c, 20d, 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.

DEFINITION, A SIGNIFICANT NEED HAD TO INCLUDE ALL RANK ORDERED NEEDS UNTIL AT LEAST SIXTY PERCENT (60%) 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 WHERE A REASONABLE BREAK POINT IN RANK ORDER OCCURRED.

TAOS HEALTH SYSTEMS, INC.:

PART V, SECTION B, LINE 7D: THE COMMUNITY HEALTH NEEDS ASSESSMENT AND IMPLEMENTATION STRATEGY ARE AVAILABLE ONLINE AT [HTTPS://HOLYCROSSMEDICALCENTER.ORG/ABOUT-US/COMMUNITY-IMPACT/](https://holycrossmedicalcenter.org/about-us/community-impact/).

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.

TAOS HEALTH SYSTEMS, INC.:

PART V, SECTION B, LINE 11: ALCOHOL/SUBSTANCE ABUSE - SIGNIFICANT NEED IN 2013, 2016, AND 2019 ALCOHOL-IMPAIRED DRIVING DEATHS ARE 10% HIGHER IN TAOS COUNTY THAN BOTH THE STATE AVERAGE AND NATIONAL MEDIAN; RESIDENTS OF TAOS COUNTY ARE 21%

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, 20a, 20b, 20c, 20d, 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.

MORE LIKELY TO CONSUME 3+ DRINKS PER SESSION THAN THE NATIONAL AVERAGE;

LIVER DISEASE IS THE #8 LEADING CAUSE OF DEATH IN TAOS COUNTY.

- HCMC TREATS ALCOHOL AND SUBSTANCE ABUSE IN THE EMERGENCY DEPARTMENT, PROVIDING STABILIZATION AND TRANSFER SERVICES TO PATIENTS IN NEED. HCMC ALSO EMPLOYS A CLINICIAN IN THE EMERGENCY DEPARTMENT WITH LICENSURE TO ADMINISTER SUBOXONE, A MEDICATION DESIGNED TO REDUCE THE SYMPTOMS OF OPIATE ADDICTION AND WITHDRAWAL.

- HCMC IS THE FISCAL AGENT FOR THE TAOS ALIVE DRUG-FREE COMMUNITY GRANT. THIS GRANT-FUNDED COALITION BRINGS TOGETHER HEALTH AGENCIES, PUBLIC SAFETY ENTITIES, EDUCATIONAL ADMINISTRATORS AND COMMUNITY ADVOCATES TO WORK TOGETHER TO DECREASE SUBSTANCE ABUSE IN FAMILIES AND YOUTH. THE PROGRAM OPERATES A VARIETY OF SUBSTANCE ABUSE REDUCTION STRATEGIES INCLUDING: PUBLIC MEDIA CAMPAIGNS REGARDING SUBSTANCE ABUSE ISSUES IN TAOS COUNTY, ENVIRONMENTAL CLEAN-UP ACTIVITIES, PRESCRIPTION DRUG TAKE BACK AND DISPOSAL PUBLIC EVENTS, YOUTH ENGAGEMENT PROGRAMS, EDUCATION OF ELECTED AND PUBLIC OFFICIALS ABOUT SUBSTANCE ABUSE PREVALENCE AND PREVENTION MEASURES IN TAOS COUNTY, AND NALOXONE DISSEMINATION ACTIVITIES IN COORDINATION WITH HOLY CROSS HOSPITAL. THE TAOS ALIVE COALITION ALSO PARTICIPATES IN NATIONAL CONFERENCES AND EDUCATIONAL WORKSHOPS AND WORKS LOCALLY TO STRENGTHEN AND BUILD OTHER DRUG FREE COMMUNITIES IN NEIGHBORING RURAL/FRONTIER COMMUNITIES.

- HCMC IS THE FISCAL AGENT FOR THE DEPARTMENT OF TRANSPORTATION UNDERAGE DRINKING GRANT, WHICH SUPPORTS THE ADOLESCENT AND UNDERAGE DRINKING PREVENTION WORK TAOS ALIVE PERFORMS.

- HCMC PARTNERS WITH AREA SCHOOLS AND LAW ENFORCEMENT TO REDUCE DRUG USE AND ITS CONSEQUENCES THROUGH A NEW MEXICO HIGH INTENSITY DRUG TRAFFICKING AREA (HIDTA) GRANT.

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, 20a, 20b, 20c, 20d, 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.

- HCMC PARTNERS WITH THE VIDA DEL NORTE COALITION IN QUESTA, NM TO PROVIDE MENTORSHIP IN TAOS PUEBLO SCHOOLS.

- HCMC PARTICIPATES IN A 2-COUNTY COLLABORATION BETWEEN TAOS AND RIO ARRIBA THROUGH THE RURAL HEALTH NETWORK (HEALTH RESOURCES AND SERVICES ADMINISTRATION) TO ADDRESS THE OPIOID EPIDEMIC. THIS NETWORK IS WORKING ON ALL ISSUES AROUND THE OPIOID ISSUE. THEY ARE FOCUSING ON COMMUNICATION STRATEGIES TO EDUCATE AND DECREASE STIGMA AND WORKFORCE DEVELOPMENT OPPORTUNITIES FOR THOSE WORKING IN THE FIELD OF SUBSTANCE MISUSE.

- HCMC HAS A PRESCRIPTION DRUG COLLECTION BOX INSTALLED IN ITS EMERGENCY ROOM WAITING AREA FOR COMMUNITY MEMBERS TO SAFELY DISPOSE PRESCRIPTION MEDICATIONS.

- HCMC IS ACTIVELY INVOLVED WITH THE NEW MEXICO HOSPITAL ASSOCIATION IN ITS EFFORTS TO TREAT OPIOID ADDICTION AND REDUCE OPIOID USAGE IN COMMUNITIES ACROSS THE STATE. 29

- HCMC ACTIVELY PARTICIPATES IN THE TAOS HEALTH COUNCIL; THIS HEALTH ADVOCACY COALITION PROVIDES EDUCATION ABOUT RECOVERY AND SUPPORT GROUP PROGRAMS IN THE COMMUNITY SUCH AS THE RIO GRANDE ALCOHOL TREATMENT PROGRAM AND VARIOUS ALCOHOL ANONYMOUS/NARCOTICS ANONYMOUS SUPPORT GROUPS IN TAOS COUNTY. ADDITIONALLY, HCMC PLANS TO TAKE THE FOLLOWING STEPS TO ADDRESS THIS NEED:

- HCMC IS PLANNING TO HOST A COMMUNITY SUMMIT ON SUBSTANCE ABUSE. THIS SUMMIT IS INTENDED TO HELP COMMUNITY PROVIDERS AND RESOURCES UNDERSTAND THE FULL PICTURE OF SUBSTANCE ABUSE IN THE COMMUNITY, TO CHANGE ATTITUDES TOWARDS SUBSTANCE ABUSE, AND, ULTIMATELY, TO HELP AFFECTED PATIENTS NAVIGATE TOWARDS RECOVERY. THE SUMMIT HAS BEEN SCHEDULED FOR JUNE 20TH. HCMC WAS UNABLE TO COMPLETE THE SUMMIT DUE TO THE PANDEMIC.

- HCMC ADDED A COMMUNITY LEADER TO ITS BOARD OF DIRECTORS WITH EXPERIENCE

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, 20a, 20b, 20c, 20d, 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.

IN OPIOID ADDICTION AND RECOVERY.

- HCMC HIRED AN EMERGENCY DEPARTMENT PRACTITIONER WITH EXPERIENCE WORKING IN SUBSTANCE ABUSE. THIS PRACTITIONER IS ALSO LICENSED TO ADMINISTER SUBOXONE, A MEDICATION DESIGNED TO REDUCE THE SYMPTOMS OF OPIATE ADDICTION AND WITHDRAWAL.

- HCMC INSTALLED A TAKE BACK BOX IN THE LOBBY TO COLLECT UNUSED PRESCRIPTION MEDICATIONS.

MENTAL HEALTH/SUICIDE - SIGNIFICANT NEED IN 2013, 2016, AND 2019

TAOS COUNTY'S RATE FOR POOR MENTAL HEALTH DAYS IS HIGHER THAN BOTH STATE AVERAGE AND NATIONAL MEDIAN; SUICIDE IS THE #7 LEADING CAUSE OF DEATH IN TAOS COUNTY; TAOS COUNTY'S MENTAL AND SUBSTANCE USE RELATED DEATHS RATE IS HIGHER THAN NATIONAL AVERAGE AND INCREASED FROM 1980-2014.

- HCMC EMERGENCY DEPARTMENT, THE TAOS HEALTH COUNCIL, A PROGRAM OF HCMC, WORKS COLLABORATIVELY WITH THE NM CRISIS AND ACCESS LINE (NMCAL) ORGANIZATION TO PROMOTE AWARENESS OF SUICIDE DESIRE AND PREVENTION IN THE LOCAL COMMUNITY. ACCORDING TO THE 2018 NMCAL ANNUAL REPORT, 584 CALLS FROM TAOS COUNTY WERE HANDLED BY NMCAL HOTLINE COUNSELORS.³¹

- THE TAOS HEALTH COUNCIL ALSO WORKS TO RAISE AWARENESS IN THE LOCAL COMMUNITY ABOUT ADOLESCENT SUICIDE DESIRE AND PREVENTION. THE TAOS HEALTH COUNCIL TRACKS DATA FROM THE YOUTH RISK & RESILIENCY SURVEY. ACCORDING TO THE LATEST SURVEY IN 2017, 20.9% OF HIGH SCHOOL STUDENTS SURVEYED REPORTED HAVING SERIOUSLY CONSIDERED SUICIDE; 17.7% REPORTED HAVING MADE A SUICIDE PLAN AND 9.9% REPORTED HAVING ATTEMPTED SUICIDE. ³²

- HCMC SPONSORS TAOS FIRST STEPS, WHICH SUPPORTS NEW FAMILIES AND PROMOTES EARLY CHILDHOOD DEVELOPMENT AND THE PARENT-CHILD RELATIONSHIP. THIS PROGRAM PROVIDES ACCESS TO BEHAVIORAL HEALTH RESOURCES THROUGH HOME

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, 20a, 20b, 20c, 20d, 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.

VISITS, GROUP EVENTS, CLASSES, AND REFERRALS TO HEALTHCARE AGENCIES AS APPROPRIATE. ADDITIONALLY, HCMC PLANS TO TAKE THE FOLLOWING STEPS TO ADDRESS THIS NEED:

- MAKE UPDATES TO THE EXISTING SUICIDE PREVENTION ASSESSMENT IN THE EMERGENCY DEPARTMENT.

- ASSESS PATIENT POPULATIONS TO IDENTIFY SPECIFIC SUB-GROUPS AT HIGHER RISK FOR SUICIDE AND MENTAL HEALTH ISSUES ACROSS THE CONTINUUM OF CARE.

- COLLABORATE WITH THE NEW COMMUNITY PSYCHIATRIST TO ENHANCE MENTAL HEALTH OFFERINGS. HCMC EVALUATION OF IMPACT OF ACTIONS TAKEN SINCE THE IMMEDIATELY PRECEDING CHNA:

- HCMC HIRED A LICENSED MENTAL HEALTH WORKER IN THE EMERGENCY DEPARTMENT.

- HOME VISITORS IN THE TAOS FIRST STEPS PROGRAM ATTAINED INFANT MENTAL HEALTH ENDORSEMENTS.

ACCESS/AFFORDABILITY - SIGNIFICANT HEALTH NEED IN 2013, 2016, AND 2019 TAOS COUNTY'S RATE OF UNINSURED RESIDENTS IS HIGHER THAN BOTH THE STATE AVERAGE AND NATIONAL MEDIAN.

- HCMC BENEFIT NAVIGATION PROGRAM PROVIDES FREE ENROLLMENT APPLICATION ASSISTANCE, COUNSELING, AND ELIGIBILITY INFORMATION TO THE PUBLIC FOR THE FOLLOWING HEALTH COVERAGE PROGRAMS: MEDICAID AND MARKETPLACE. IT IS A PROGRAM OF HOLY CROSS HOSPITAL WITH BILINGUAL STAFF AND TWO MAIN OFFICES IN TAOS. THE TWO OFFICES ALSO ASSIST WITH PRESUMPTIVE ELIGIBILITY PROVISION FOR THE LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP), SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) PROGRAM AND THE TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF) PROGRAM.

- THE BENEFIT NAVIGATION PROGRAM ALSO PROVIDES HEALTHCARE NAVIGATION SERVICES TO THE MEDICARE ELIGIBLE AND MEDICARE BENEFICIARY POPULATIONS.

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, 20a, 20b, 20c, 20d, 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.

THIS IS A GRANT-FUNDED EFFORT WITH NEIGHBORING COUNTY RIO ARRIBA TO WORK SPECIFICALLY WITH THE MEDICARE POPULATION AND INCREASE ACCESS TO AND ENROLLMENT IN PUBLIC HEALTH ENTITLEMENT PROGRAMS. THE PROGRAM ONLY INTERFACES WITH MEDICARE BENEFICIARIES WHEN THEY ARE DETERMINED TO BE DUALY ELIGIBLE FOR BOTH MEDICARE AND MEDICAID COVERAGE AND TO NAVIGATE CURRENT MEDICARE ENROLLMENT OPTIONS; THEY CURRENTLY DO NOT ASSIST IN MEDICARE APPLICATIONS WHICH ARE ADMINISTERED BY THE SOCIAL SECURITY ADMINISTRATION. THE DUAL ELIGIBLE POPULATION IS THE LOW-INCOME SUBSIDY (LIS) ELIGIBLE AND THE MEDICARE SUBSIDY PROGRAM (MSP) ELIGIBLE.

- HCMC OFFERS RESOURCES FOR CHRONIC CARE MANAGEMENT IN ITS PRIMARY CARE CLINICS.

- HCMC IS THE FISCAL AGENT FOR TAOS FIRST STEPS, WHICH SUPPORTS NEW FAMILIES AND PROMOTES EARLY CHILDHOOD DEVELOPMENT AND THE PARENT-CHILD RELATIONSHIP. THIS PROGRAM PROVIDES ACCESS TO BEHAVIORAL HEALTH RESOURCES THROUGH HOME VISITS, GROUP EVENTS, CLASSES, AND REFERRALS TO HEALTHCARE AGENCIES AS APPROPRIATE. THE FIRST STEPS DATA COORDINATOR IS A MEDICAID DETERMINER AND IS ABLE TO ASSIST PRENATAL FAMILIES AND FAMILIES WITH CHILDREN UP TO 3 YEARS OLD WITH MEDICAID ENROLLMENT. ADDITIONALLY, HCMC PLANS TO TAKE THE FOLLOWING STEPS TO ADDRESS THIS NEED:

- BEGIN OUTREACH TO LOCAL BUSINESSES AND COMMUNITY RESOURCES TO PROVIDE EDUCATION ABOUT THE BENEFIT NAVIGATION PROGRAM

- EXPAND THE HCMC BAD DEBT PURCHASING PROGRAM, WHICH ALLOWS LOCAL ORGANIZATIONS TO PURCHASE PORTIONS OF PATIENT DEBT FOR UNCOMPENSATED CARE

- EXPLORE THE OPPORTUNITY TO EXPAND TELEMEDICINE OFFERINGS FOR BOTH HCMC AND HCMC CLINICS.

- WORK WITH LOCAL ORGANIZATIONS TO PROVIDE FINANCIAL SUPPORT AND ASSISTANCE FOR HCMC PATIENTS RECEIVING CANCER CARE OUTSIDE OF TAOS COUNTY.

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, 20a, 20b, 20c, 20d, 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.

(CONTINUED BELOW)

TAOS HEALTH SYSTEMS, INC.:

PART V, SECTION B, LINE 16J: THE FINANCIAL ASSISTANCE POLICY, APPLICATION AND PLAIN LANGUAGE SUMMARY ARE AVAILABLE ONLINE AT

[HTTPS://HOLYCROSSMEDICALCENTER.ORG/PATIENT-VISITOR-INFORMATION/PATIENT-INFO RMATION/PAYMENT-FINANCIAL-ASSISTANCE/](https://holycrossmedicalcenter.org/patient-visitor-information/patient-info-formation/payment-financial-assistance/).

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? 4

Name and address	Type of Facility (describe)
1 HOLY CROSS SURGICAL SPECIALISTS 1399 WEIMER ROAD, SUITE 600 TAOS, NM 87571	SURGERY CLINIC
2 HOLY CROSS WOMEN'S HEALTH INSTITUTE 1329 GUSDORF ROAD TAOS, NM 87571	OBSTETRICS/GYNECOLOGY
3 TAOS DERM. BREAST & PLASTIC SURGERY 1399 WEIMER ROAD, SUITE 600 TAOS, NM 87571	DERMATOLOGY CLINIC
4 TAOS PEDIATRICS AND PRIMARY CARE 1329 GUSDORF ROAD TAOS, NM 87571	MEDICAL CLINIC

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.

PART I, LINE 3C:

ELIGIBILITY FOR FINANCIAL ASSISTANCE IS BASED ON SEVERAL FACTORS, INCLUDING ELIGIBILITY FOR GOVERNMENT-SPONSORED PROGRAMS, ELIGIBILITY FOR THIRD-PARTY COVERAGE, COMPLETION OF A FINANCIAL ASSISTANCE APPLICATION, FAMILY INCOME RELATIVE TO FEDERAL POVERTY GUIDELINES,

PART I, LINE 7:

THE ORGANIZATION USES A COST-TO-CHARGE RATIO TO CALCULATE THE AMOUNTS IN LINE 7A. THE COST-TO-CHARGE RATIO WAS DERIVED FROM WORKSHEET 2 IN THE SCHEDULE H INSTRUCTIONS. THE AMOUNTS IN LINES 7E, 7F AND 7I ARE BASED ON COSTS AND REVENUES AS REPORTED IN THE FINANCIAL STATEMENTS. THE AMOUNTS IN LINE 7G ARE BASED ON THE COST-TO-CHARGE RATIO DERIVED FROM THE MEDICARE COST REPORT.

PART I, LINE 7G:

SUBSIDIZED HEALTH SERVICES REPORTED IN LINE 7G INCLUDE LABOR & DELIVERY, NURSERY, OBSTETRICS, THE WOMENS' HEALTH INSTITUTE, PEDIATRICS, REHABILITATION THERAPIES, DIABETES, ANTI-COAGULANT/PHARMACY CARE, AND

Part VI Supplemental Information (Continuation)

PRIMARY CARE. THE COSTS REPORTED IN LINE 7G INCLUDE \$2,100,593

ATTRIBUTABLE TO PHYSICIAN CLINICS.

PART I, LINE 7, COLUMN (F):

THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25(A),

BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN

THIS COLUMN IS \$ 2,413,058.

PART III, 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.

PART III, 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, WHICH

WAS ESTIMATED AT 60% THAT MAY HAVE BEEN ELIGIBLE IF PAPERWORK WOULD HAVE

BEEN COMPLETED AND SUBMITTED.

Part VI Supplemental Information (Continuation)

PART III, LINE 4:

THE FOOTNOTE THAT DESCRIBES THE ORGANIZATION'S BAD DEBT EXPENSE IS LOCATED ON PAGE 10 OF THE ATTACHED AUDITED FINANCIAL STATEMENTS.

PART III, LINE 8:

ALL OF THE MEDICARE SHORTFALL SHOULD BE TREATED AS COMMUNITY BENEFIT BECAUSE HOSPITALS MUST TREAT PATIENTS REGARDLESS OF THEIR ABILITY TO PAY. 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 MAY 31, 2021 MEDICARE COST REPORT.

PART III, 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).

PART VI, LINE 2:

IN ADDITION TO OUR 2019 CHNA, TAOS HEALTH SYSTEMS (DBA: 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

Part VI Supplemental Information (Continuation)

ACTS AS FISCAL AGENT FOR THE TAOS CARES HEALTH COUNCIL, WHICH CONVENES
COMMUNITY MEMBERS AND PARTNER AGENCIES MONTHLY IN ORDER TO:

- 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 2018 COMMUNITY
HEALTH NEEDS ASSESSMENT.

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 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 GIVE
APPLICATIONS AND ASSISTED IN COMPLETING THE FORMS IF NECESSARY.

Part VI Supplemental Information (Continuation)

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

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

Part VI Supplemental Information (Continuation)

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, 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 33% OF ALL TAOS COUNTY CHILDREN UNDER 18 LIVING IN POVERTY.

Part VI Supplemental Information (Continuation)

PART VI, LINE 5:

THS CONTAINS HOLY CROSS HOSPITAL, TAOS WOMEN'S HEALTH INSTITUTE, TAOS SURGICAL SPECIALTISTS, TAOS DERMATOLOGY, BREAST AND PLASTIC SURGERY, 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 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 20 PHYSICIANS AND 9 ADVANCE PRACTICE CLINICIANS IN GENERAL SURGERY, UROLOGY, OB/GYN, DERMATOLOGY, PRIMARY CARE, PEDIATRICS, PATHOLOGY, HOSPITALISTS, 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.

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

Part VI Supplemental Information (Continuation)

- 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.
- 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

Part VI Supplemental Information (Continuation)

EMERGENCIES OF ALL TYPES, INCLUDING THE COVID-19 PANDEMIC OF 2020.

Multiple horizontal lines for supplemental information.

**SCHEDULE I
(Form 990)**

Department of the Treasury
Internal Revenue Service

**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

2020

**Open to Public
Inspection**

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

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

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 ▶ _____

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

Schedule I (Form 990) 2020

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 noncash assistance
SCHOLARSHIPS	7	16,583.	0.	N/A	N/A
CHARITY CARE	0	406,477.	0.	N/A	N/A

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

PART I, LINE 2:

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 EXPENSES, IN TOTAL,

Part IV Supplemental Information

ARE RECONCILED TO THE GL ACCOUNT.

Multiple horizontal lines for supplemental information.

**SCHEDULE J
(Form 990)**

Compensation Information

OMB No. 1545-0047

2020

Open to Public Inspection

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.

Department of the Treasury
Internal Revenue Service

Name of the organization: **TAOS HEALTH SYSTEMS, INC.**
 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 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		

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

Schedule J (Form 990) 2020

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) DR. WILLIAM DOUGHERTY PHYSICIAN	(i)	500,333.	0.	1,980.	2,500.	10,410.	515,223.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) DR. STEPHEN LUCERO PHYSICIAN	(i)	486,974.	0.	3,810.	2,500.	24,204.	517,488.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(3) DR. JOHN WELLS PHYSICIAN	(i)	417,266.	0.	455.	2,500.	29,160.	449,381.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(4) DR. JEFFREY GIDDENS PHYSICIAN	(i)	393,531.	0.	455.	2,500.	21,722.	418,208.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(5) DR. HEATHER MARSHALL PHYSICIAN	(i)	383,983.	0.	171.	2,500.	30,200.	416,854.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(6) DR. TIM MOORE BOARD MEMBER & CHIEF OF STAFF	(i)	374,860.	0.	3,810.	2,500.	21,654.	402,824.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) WILLIAM PATTEN, JR. CEO	(i)	323,960.	35,000.	12,503.	2,500.	24,422.	398,385.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(8) STEVE ROZENBOOM CFO	(i)	204,493.	14,783.	4,334.	2,500.	24,428.	250,538.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(9) PAM AKIN, CLNC CNO	(i)	182,733.	0.	1,028.	1,853.	21,722.	207,336.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

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.

PART I, LINE 7:

DURING 2020, THE CEO RECEIVED A NON-FIXED BONUS THAT WAS EVALUATED AND DECIDED UPON BY THE BOARD OF DIRECTORS.

SCHEDULE J, PART I, LINE 1A

WILLIAM PATTEN, CEO, AND STEVE ROZENBOOM, CFO, ARE PROVIDED WELLNESS BENEFITS AND AUTOMOBILE ALLOWANCES THAT ARE 100% TAXABLE TO THEM.

SCHEDULE L
(Form 990 or 990-EZ)

Transactions With Interested Persons

OMB No. 1545-0047

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c, or Form 990-EZ, Part V, line 38a or 40b.**

▶ **Attach to Form 990 or Form 990-EZ.**

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

2020

Open To Public Inspection

Department of the Treasury
Internal Revenue Service

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

Part I Excess Benefit Transactions (section 501(c)(3), section 501(c)(4), and section 501(c)(29) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

1 (a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
			Yes	No

2 Enter the amount of tax incurred by the organization managers or disqualified persons during the year under section 4958 ▶ \$ _____

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization ▶ \$ _____

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a or Form 990, Part IV, line 26; or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22.

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?		(i) Written agreement?	
			To	From			Yes	No	Yes	No	Yes	No
Total							▶ \$ _____					

Part III Grants or Assistance Benefiting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance

Part IV Business Transactions Involving Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
HOWARD AKIN	SPOUSE OF PAM AKIN,	31,233.	EMPLOYEE CO		X

Part V Supplemental Information.

Provide additional information for responses to questions on Schedule L (see instructions).

SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS:

(A) NAME OF PERSON: HOWARD AKIN

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

SPOUSE OF PAM AKIN, CNO

(D) DESCRIPTION OF TRANSACTION: EMPLOYEE COMPENSATION

SCHEDULE O
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

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.

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

OMB No. 1545-0047

2020

Open to Public
Inspection

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Employer identification number

85-0289839

FORM 990, PART VI, SECTION A, LINE 1:

THE BOARD OF DIRECTORS HAS AN EXECUTIVE COMMITTEE CONSISTING OF THE OFFICERS OF THE BOARD AND THE IMMEDIATE PAST BOARD CHAIR. THE EXECUTIVE COMMITTEE HAS THE POWER AND AUTHORITY OF THE BOARD WHEN THE BOARD IS NOT IN SESSION TO TRANSACT ALL REGULAR BUSINESS, SUBJECT TO ANY PRIOR LIMITATIONS IMPOSED BY THE BOARD OR BY STATUTE. IN ADDITION, THE EXECUTIVE COMMITTEE (A) ESTABLISHES STANDARDS FOR AND REVIEWS THE PERFORMANCE OF THE INDIVIDUAL BOARD MEMBERS AND THE SALARIED OFFICERS AND REPORTS THEREON TO THE BOARD; (B) MEETS WITH THE CEO ON AN ANNUAL BASIS, CONCURRENT WITH THE FISCAL YEAR-END, FOR AN EVALUATION OF THE CEO'S PERFORMANCE; (C) MAKES RECOMMENDATIONS TO THE BOARD CONCERNING THE COMPENSATION AND TERMS OF EMPLOYMENT OF THE CEO AND OTHER SALARIED OFFICERS; (D) REVIEWS AND MAKES RECOMMENDATIONS TO THE BOARD ON THE COMPOSITION AND SERVICES OF THE BOARD AND ITS COMMITTEES; (E) IMPLEMENTS THE CONFLICT OF INTEREST POLICIES; AND (F) DEVELOPS AND OVERSEES A PROGRAM FOR THE ORIENTATION OF NEW BOARD MEMBERS AND FOR CONTINUING EDUCATION OF ALL DIRECTORS.

FORM 990, PART VI, SECTION A, LINE 8B:

MINUTES WERE NOT KEPT FOR EXECUTIVE COMMITTEE MEETINGS. HOWEVER, THE EXECUTIVE COMMITTEE'S ACTIONS WERE REPORTED TO THE BOARD OF DIRECTORS.

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

THE FORM 990 WAS COMPLETED BY AN INDEPENDENT ACCOUNTING FIRM WHICH FORWARDED 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 WAS PROVIDED TO THE BOARD OF DIRECTORS FOR REVIEW. THE BOARD OF DIRECTORS

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

Schedule O (Form 990 or 990-EZ) 2020

032211 11-20-20

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

APPROVED THE FINAL COPY PRIOR TO FILING WITH THE IRS.

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

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 NON-VOTING 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 15:

THE PROFESSIONAL SERVICES AGREEMENT FOR THE CEO, CFO AND CNO STATE THAT THE HR DIRECTOR WILL REVIEW THE MARKET DATA FOR THIS POSITION. THE DATA USED IN 2019 WAS THE NM HOSPITAL ASSOCIATION SALARY SURVEY WHICH REFLECTED THAT THE PAY FOR THIS POSITION WAS WITHIN 5% OF THE DEFINED MARKET. QHR SALARY SURVEY DATA FROM ERNST AND YOUNG WAS USED FOR NATIONAL BENCHMARKING. A SIMPLE AVERAGE OF THREE COMPONENTS (NEW MEXICO, ADJACENT STATES AND NATIONAL) WAS USED TO CALCULATE THE MARKET RATE. THE EXECUTIVE COMMITTEE THEN REVIEWS THE RECOMMENDATION AND APPROVES THE CEO COMPENSATION. THIS PROCESS WAS LAST COMPLETED IN 2020.

FORM 990, PART VI, SECTION C, LINE 19:

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

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

FORM 990, PART IX, LINE 11G, OTHER FEES:

PROFESSIONAL FEES:

PROGRAM SERVICE EXPENSES	1,261,517.
MANAGEMENT AND GENERAL EXPENSES	5,821.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	1,267,338.

PURCHASED SERVICES:

PROGRAM SERVICE EXPENSES	10,127,914.
MANAGEMENT AND GENERAL EXPENSES	3,688,379.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	13,816,293.
TOTAL OTHER FEES ON FORM 990, PART IX, LINE 11G, COL A	15,083,631.

FORM 990 LINE 2C

THE PROCESS FOR OVERSIGHT AND SELECTION OF AN INDEPENDENT ACCOUNT HAS NOT CHANGED FROM THE PRIOR YEAR.

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

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

2020

Open to Public Inspection

Name of the organization **TAOS HEALTH SYSTEMS, INC.** 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
TAOS PROFESSIONAL SERVICES - 27-4259044 1397 WEINER ROAD TAOS, NM 87571	CLINIC	NEW MEXICO	2,213,535.	231,000.	THS, INC.

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

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

Schedule R (Form 990) 2020

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	

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?	
								Yes	No

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.

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?

	Yes	No
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 sec. 501(c)(3) orgs.?		(f) Share of total income	(g) Share of end-of-year assets	(h) Dispropor- tionate 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	

Part VII Supplemental Information

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

Multiple horizontal lines for supplemental information.

Electronic Filing PDF Attachment

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2021 AND 2020

**TAOS HEALTH SYSTEMS, INC.
TABLE OF CONTENTS
YEARS ENDED MAY 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF OPERATIONS	5
CONSOLIDATED STATEMENTS OF NET ASSETS	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	29



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 sheets as of May 31, 2021 and 2020, and the related consolidated statements of operations, net assets, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

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 financial position of Taos Health Systems, Inc. as of May 31, 2021 and 2020, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Change in Accounting Principles

As discussed in Note 1 and Note 2 to the consolidated financial statements, Taos Health Systems, Inc. adopted a provision of Financial Accounting Standards Board Accounting Standards Updates 2014-09, Revenue from Contracts with Customers. The new accounting standard clarifies how revenue is to be recognized and requires expanded disclosures related to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2021 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

Denver, Colorado
November 2, 2021

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
MAY 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 13,628,574	\$ 18,401,378
Short-Term Investments	26,627	24,608
Patient Accounts Receivable	7,270,649	4,007,458
Estimated Amounts Due From Third-Party Payors	2,918,931	2,145,562
Other Receivables	145,574	65,307
Inventory Supplies	1,610,717	1,572,295
Prepaid Expenses and Other	1,885,233	1,150,005
Total Current Assets	27,486,305	27,366,613
ASSETS LIMITED AS TO USE - BOARD-DESIGNATED	108,434	98,133
EQUITY METHOD INVESTMENT	15,218	20,840
PROPERTY AND EQUIPMENT, NET	15,775,801	15,674,323
OTHER ASSETS		
Long-Term Prepaid Expenses	-	42,189
Total Assets	✓ \$ 43,385,758	\$ 43,202,098

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MAY 31, 2021 AND 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 7,297,759	\$ 5,237,742
Accrued Expenses	2,379,713	1,857,322
Estimated Amounts Due To Third-Party Payors	-	1,716,618
Current Portion of Capital Lease Obligations	294,715	341,186
Current Portion of Long-Term Debt	4,843,500	-
Deferred Revenue	6,962,176	11,470,048
Total Current Liabilities	21,777,863	20,622,916
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	-	4,843,500
Capital Lease Obligations, Less Current Portion	85,021	325,975
Total Long-Term Liabilities	85,021	5,169,475
Total Liabilities	✓ 21,862,884	25,792,391
NET ASSETS		
Net Assets without Donor Restrictions	21,286,020	17,276,233
Net Assets with Donor Restrictions	236,854	133,474
Total Net Assets	✓ 21,522,874	17,409,707
Total Liabilities and Net Assets	\$ 43,385,758	\$ 43,202,098

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
OPERATING REVENUE		
Patient Service Revenue	\$ 64,295,948	\$ 56,490,152
Other Operating Revenue	11,323,921	6,906,401
Net Assets Released From Restrictions Used For Operations	155,392	292,631
Total Operating Revenues	75,775,261	63,689,184
OPERATING EXPENSES		
Salaries and Wages	30,127,030	27,570,890
Purchased Services	13,860,378	9,749,158
Supplies and Minor Equipment	11,464,613	9,435,689
Payroll Taxes and Benefits	6,087,365	5,162,659
Professional Fees	1,273,517	2,305,426
Depreciation	2,208,616	2,174,508
Leases and Rentals	1,336,883	1,328,180
Repairs and Maintenance	1,041,265	1,259,874
Other	4,149,473	3,615,068
Insurance	1,717,471	1,620,227
Telephone and Utilities	736,904	723,202
Travel, Meals, and Entertainment	10,628	59,178
Interest	4,208	24,388
Total Operating Expenses	74,018,351	65,028,447
INCOME (LOSS) FROM OPERATIONS	1,756,910	(1,339,263)
NONOPERATING GAINS (LOSSES)		
Investment Income	38,744	29,299
Tax Revenues	2,238,781	1,207,994
Other Loss	(24,648)	(24,772)
Net Nonoperating Gains	2,252,877	1,212,521
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 4,009,787	\$ (126,742)

See accompanying Notes to Consolidated Financial Statements.

**TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF NET ASSETS
YEARS ENDED MAY 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Increase (Decrease) in Net Assets Without Donor Restrictions	\$ 4,009,787	\$ (126,742)
NET ASSETS WITH DONOR RESTRICTIONS		
Restricted Grants and Donations	258,772	124,105
Net Assets Released from Restrictions	<u>(155,392)</u>	<u>(292,631)</u>
Increase (Decrease) in Net Assets with Donor Restrictions	<u>103,380</u>	<u>(168,526)</u>
INCREASE (DECREASE) IN NET ASSETS	4,113,167	(295,268)
Net Assets - Beginning of Year	<u>17,409,707</u>	<u>17,704,975</u>
NET ASSETS - END OF YEAR	<u><u>\$ 21,522,874</u></u>	<u><u>\$ 17,409,707</u></u>

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 4,113,167	\$ (295,268)
Adjustment to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,208,616	2,174,508
Loss on Disposal of Property and Equipment	38,249	13,250
Net Unrealized Gains on Assets Limited as to use	(4,919)	(2,508)
Loss on Equity Method Investment	5,622	35,738
Change in Current Assets and Liabilities:		
Patient Accounts Receivable	(3,263,191)	3,703,814
Other Receivables	(80,267)	4,144
Inventory Supplies	(38,422)	(125,916)
Prepaid Expenses and Other	(693,039)	(133,813)
Accounts Payable	1,605,141	(2,930,773)
Accrued Expenses	522,391	(647,197)
Net Amounts Due from Third-Party Payors	(2,489,987)	(858,848)
Deferred Revenue	(4,507,872)	11,470,048
Net Cash Provided (Used) by Operating Activities	(2,584,511)	12,407,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,827,627)	(1,283,976)
Net Purchases of Assets Limited as to us	(7,401)	(10,778)
Net Cash Used by Investing Activities	(1,835,028)	(1,294,754)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	-	4,843,500
Principal Payments Under Capital Lease Obligations	(353,265)	(426,526)
Net Cash Provided (Used) by Financing Activities	(353,265)	4,416,974
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,772,804)	15,529,399
Cash and Cash Equivalents - Beginning of Year	18,401,378	2,871,979
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,628,574	\$ 18,401,378
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments For Interest	\$ 4,208	\$ 24,388
Property And Equipment Purchases Included in Accounts Payable	\$ 454,876	\$ -
Equipment Acquired through Capital Lease Obligation	\$ 65,840	\$ -

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Taos Health Systems, Inc. (the Organization), located in Taos, New Mexico, is a nonprofit critical access hospital along with specialty clinics as further described below. 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:

- 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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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. Restricted investment income where the restriction is not satisfied in the same year is reflected in the consolidated statements of net assets as with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Accounts Receivable

Patient accounts receivable are recorded in the accompanying consolidated balance sheets at the estimated transaction price based on certain assumptions. 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 transaction price. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for implicit price concessions. For receivables associated with services provided to patients who have third party coverage, the transaction price is based on the estimated explicit price concessions, which is based on current contract prices or historical claims paid data by payor. For uninsured patients (which includes both patients without insurance and patients with deductible and copayment balances due which third party coverage exists for a portion of the bill), the estimated transaction price is determined using estimates of historical collection experience. These estimates are adjusted for recoveries and any anticipated changes in trends, including significant changes in payor mix, economic conditions or trends in federal and state governmental health care coverage.

Inventory Supplies

Inventory supplies 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 2021 and 2020 was \$2,208,616 and \$2,174,508, respectively.

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

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020.

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 consolidated 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 tax revenues.

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. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is reported at the estimated transaction price 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 final settlements are determined.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 patient service revenue. The Organization's direct and indirect costs for services furnished under its charity care policy aggregated approximately \$172,000 and \$40,000 in 2021 and 2020, 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.

Tax Revenues

In November 2020, the voters of Taos County, New Mexico passed a levy of one mill for funding infrastructure maintenance and improvements for Holy Cross Hospital. The mill is effective for the 2021 tax year for a period of four years. The taxes are reported as revenue in the year in which the funds are approved to be spent. During the year ended May 31, 2021 and 2020, the Organization recorded \$1,228,148 and \$1,207,994, respectively, in revenue from the mill levy which is included in tax revenues on the consolidated statements of operations.

In March 2020, the Taos County Board of Commissioners approved a gross receipts tax increase to support operations of the Organization. During the years ended May 31, 2021 and 2020, the Organization recorded \$1,010,633 and \$-0-, respectively in revenue from the gross receipts tax which is included in tax revenues on the consolidated statements of operations.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expenses for the years ended May 31, 2021 and 2020 were \$102,459 and \$100,550 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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements – ASU 2014-09

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). ASU 2014-09's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. ASU 2014-09 was effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2020-05, *Effective Dates for Certain Entities*, was issued in June 2020 and allowed certain entities to delay ASU 2014-09 for one year due to the COVID-19 pandemic. The Organization adopted ASU 2014-09 on June 1, 2020 as described in Note 2 – *Patient Service Revenue*.

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance as of June 1, 2020, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition, trade and other receivables, contract costs, contract liabilities, and deferred costs as detailed below. The Organization applied the new guidance using the following practical expedients which are provided in Topic 606: completed contracts that began and ended in the same year were not restated; the actual, rather than estimated, consideration was used to determine the transaction price; and the amount of the transaction price allocated to the remaining performance obligations and details of when the Organization expects to recognize that amount as revenue for fiscal year 2020 was not disclosed. The effects of applying these shortcuts were not significant to the consolidated financial statements.

The adoption of ASU 2014-09 has no impact on the Organization's consolidated statements of operations as the Organization had historically recorded the provision for doubtful accounts as a direct reduction to patient service revenue instead of being presented as a separate line item. The adoption of ASU 2014-09 has no impact on the Organization's accounts receivable as it was historically recorded net of allowance for doubtful accounts and contractual adjustments.

The Organization evaluated the nature, amount, timing and uncertainty of revenue and cash flows using the five-step process provided within ASU 2014-09.

Recently Issued Accounting Guidance

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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

In preparing the consolidated financial statements, the Organization has considered events and transactions that have occurred through November 2, 2021, the date in which the consolidated financial statements were available to be issued.

NOTE 2 PATIENT SERVICE REVENUE

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

Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services or patients receiving services in outpatient clinics.

The Organization measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Organization uses a portfolio approach to account for categories of patient contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on the historical collection trends and other analysis, the Organization believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

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

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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

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.

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.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to the changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended May 31, 2021 and 2020.

The Organization provides care to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balance (for example, copays, and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount the Organization expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for charity care are provided care without charge. Such amounts determined to qualify as charity care are not reported as revenue.

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

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

For the years ended May 31, 2021 and 2020, all of the patient revenue recognized by the Organization was from goods and services that transfer to customer over time.

Revenue from the Medicare and Medicaid programs accounted for approximately 38% and 23%, respectively, of the Organization's patient service revenue for the year ended May 31, 2021, and 39% and 21%, respectively, of the Organization's patient service revenue for the year ended May 31, 2020.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

Safety Net Care Pool

Senate Bill 314 (the law) amended and repealed various sections of existing statutes to comply with federally approved changes to the Sole Community Provider Funds. The law provides for a county imposed tax of one-twelfth percent of gross receipts be permanently transferred to the Safety Net Care Pool fund and expended pursuant to the Indigent Hospital and County Health Care Act. The law allows counties to budget for expenditures on ambulance services, burial expenses and hospital or medical expenses for indigent residents of their county.

The law requires that qualifying hospitals receiving payment from the Safety Net Care Pool file a quarterly report on all indigent health care funding with the Human Services Department (HSD) and the County Commission, and the HSD to submit a quarterly report to the Legislative Finance Committee containing the previous quarter's SNCP fund receipts and the disposition of funds.

The SNCP program model ended on December 31, 2019 and was transitioned to a new payment program for hospitals that includes two components: 1) the Hospital Access Payment (HAP); and 2) the Targeted Access Payment (TAP). Consistent with the SNCP program, the HAP and TAP programs are administered on a calendar year (CY) basis.

In accordance with federal rule 42 CFR 438.60, the HAP program is paid through the Centennial Care Managed Care Organizations (MCOs); payments are not made directly by HSD. HAP program payments are calculated based on each MCO's member utilization, at each hospital, for both inpatient and outpatient discharges. Each discharge has an additional add-on that is paid based on a calculated formula. The add-on payment amount changes each quarter. Since the HAP is based on actual utilization, there will not be a reconciliation of funds as there was under the SNCP program design. The TAP program was designed to alleviate the discrepancy between the HAP payment and the CY2019 Uncompensated Care (UC) payment under the former SNCP model. Unlike the HAP program, HSD will make payments under TAP directly to the hospitals quarterly for CY2020. The TAP is determined by taking the calculated HAP payment and comparing that with the CY2019 UC payment on a quarterly basis. If the HAP payment is less than the UC payment, HSD will make a TAP payment for the difference.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 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:

	2021	2020
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 13,628,574	\$ 18,401,378
Short-Term Investments	26,627	24,608
Receivables:		
Patient Accounts Receivable	7,270,649	4,007,458
Estimated Amounts Due from Third-Party Payors	2,918,931	2,145,562
Other	145,574	65,307
Assets Limited as to Use - Board-Designated	108,434	98,133
Total Financial Assets Available Within One Year	\$ 24,098,789	\$ 24,742,446

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, 2021 and 2020 are shown in the following table. Assets limited as to use are stated at fair value.

	2021	2020
Internally Designated For Nursing Scholarships		
Cash and Cash Equivalents	\$ 12,366	\$ 12,363
Internally Designated For First Step Program		
Cash and Cash Equivalents	17	17
Mutual Funds	96,051	85,753
Total Assets Limited as to Use	\$ 108,434	\$ 98,133

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:

	2021	2020
Interest and Dividend Income, Net	\$ 28,122	\$ 26,139
Realized and Unrealized Gains on		
Investments, Net	10,622	3,160
Total Investment Income	\$ 38,744	\$ 29,299

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 5 PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at May 31 follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,266,850	\$ 2,461,483
Leasehold Improvements	3,393,388	3,403,121
Buildings	13,751,844	13,617,582
Equipment	24,224,730	21,797,160
Construction in Progress	231,299	644,498
Total Property and Equipment	<u>43,868,111</u>	<u>41,923,844</u>
Less: Accumulated Depreciation	<u>(28,092,310)</u>	<u>(26,249,521)</u>
Property and Equipment, Net	<u>\$ 15,775,801</u>	<u>\$ 15,674,323</u>

Construction in progress as of June 30, 2021, consists of various projects which are expected to be completed in fiscal year 2022. The expected total cost of these projects is approximately \$275,000 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:

	<u>2021</u>	<u>2020</u>
Condensed Income Statement Information		
Operating Revenues	<u>\$ (7,900)</u>	<u>\$ 296,673</u>
Net Loss	<u>\$ (11,244)</u>	<u>\$ (71,476)</u>
The Organization's Portion of Change in Operations		
	<u>\$ (5,622)</u>	<u>\$ (35,738)</u>
Condensed Balance Sheet Information		
Total Assets	<u>\$ 30,436</u>	<u>\$ 211,572</u>
Total Liabilities	\$ -	\$ 169,892
Equity	<u>\$ 30,436</u>	<u>\$ 41,680</u>
Total Liabilities and Equity	<u>\$ 30,436</u>	<u>\$ 211,572</u>
The Organization's Ending Equity in Affiliate	<u>\$ 15,218</u>	<u>\$ 20,840</u>

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 7 CAPITAL LEASE OBLIGATIONS

The Organization has entered into various capital leases for equipment. The total cost of the capital leases was \$1,720,307 and \$1,886,466 as of May 31, 2021 and 2020, respectively. The capital leases had accumulated depreciation of \$1,180,153 and \$1,027,322 as of May 31, 2021 and 2020, respectively.

The capital lease obligations have varying interest rates from 2.8% to 6.6% due through September 1, 2023. The capital lease obligations are collateralized by the leased equipment. The maturities of the capital lease obligations subsequent to May 31 are as follow:

<u>Year Ending May 31,</u>	<u>Amount</u>
2022	\$ 294,715
2023	94,757
2024	<u>8,084</u>
Total Payments Due	389,472
Less: Amount Representing Interest	(9,736)
Less: Current Maturities	<u>(294,715)</u>
Noncurrent Portion of Capital Lease Obligations	<u><u>\$ 85,021</u></u>

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. On June 11, 2021, the Organization received notice from the SBA that the PPP loan had been forgiven in full. The Organization will record a gain on the forgiveness of the PPP loan in the fiscal year 2022 consolidated financial statements.

NOTE 9 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. Medicare recouped advanced payments in the amount of \$725,867 during fiscal year 2021. The remaining advanced payments to be recouped are included in Deferred Revenue on the consolidated balance sheets at May 31, 2021 and 2020.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 9 DEFERRED REVENUE (CONTINUED)

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 \$3,782,005 and \$1,148,707 during fiscal years 2021 and 2020, respectively. The revenues recognized are included in Other Operating Revenue on the consolidated statements of operations. The remaining balance of \$616,917 and \$4,398,922 is included in deferred revenues at May 31, 2021 and 2020, respectively. 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, 2021 and 2020.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to Expenditure for Specified Purpose:		
Health Education	\$ 6,628	\$ 6,910
Purchase of Equipment	34,439	35,751
Health Care Programs	195,787	90,813
Total	\$ 236,854	\$ 133,474

NOTE 11 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:

	2021	2020
Medicare	35 %	29 %
Medicaid	19	21
Other Third-Party Payors	28	36
Patients	18	14
Total	100 %	100 %

NOTE 12 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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table disclose the by level the fair value hierarchy of the Organization's assets at fair value as of May 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual Funds	\$ 96,051	\$ -	\$ -	\$ 96,051
Beneficial Interest in Taos Community Foundation Investments	-	26,627	-	26,627
Total Investments	<u>\$ 96,051</u>	<u>\$ 26,627</u>	<u>\$ -</u>	<u>\$ 122,678</u>
	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	<u>\$ 85,753</u>	<u>\$ 24,608</u>	<u>\$ -</u>	<u>\$ 110,361</u>

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 13 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 expired on May 31, 2021 and was renewed on June 1, 2021 through May 31, 2024.

Under the agreement as amended, the Organization maintains a qualified, long-term, tax-deferred savings plan. Effective January 1, 2021, 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 3.0% of the employee's annual compensation, not to exceed \$5,000 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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 13 PENSION PLAN (CONTINUED)

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 \$371,000 and \$365,000 for fiscal years 2021 and 2020, respectively.

NOTE 14 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:

2021	Health Care Services	General and Administrative	Total
Salaries and Wages	\$ 23,553,090	\$ 6,573,940	\$ 30,127,030
Purchased Services	10,127,914	3,732,464	13,860,378
Supplies and Minor Equipment	10,041,592	1,423,021	11,464,613
Payroll Taxes and Benefits	4,759,057	1,328,308	6,087,365
Professional Fees	1,261,517	12,000	1,273,517
Depreciation	1,568,117	640,499	2,208,616
Leases and Rentals	805,405	531,478	1,336,883
Repairs and Maintenance	833,858	207,407	1,041,265
Other	381,685	3,767,788	4,149,473
Insurance	1,633,081	84,390	1,717,471
Telephone and Utilities	61,755	675,149	736,904
Travel, Meals, and Entertainment	4,450	6,178	10,628
Interest	-	4,208	4,208
Total	<u>\$ 55,031,521</u>	<u>\$ 18,986,830</u>	<u>\$ 74,018,351</u>
	Health Care	General and	Total
2020	Services	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	<u>\$ 46,869,786</u>	<u>\$ 18,158,661</u>	<u>\$ 65,028,447</u>

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 15 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. This prepaid asset is included in Prepaid Expenses and Other in the consolidated balance sheets.

The Organization has various operating leases for building and equipment. Total expense for all operating leases was \$1,336,883 and \$1,328,180 in fiscal years 2021 and 2020, respectively. 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:

<u>Fiscal Years Ending</u>	<u>Amount</u>
2022	\$ 565,425
2023	306,586
2024	73,122
Total	<u>\$ 945,133</u>

NOTE 16 COMMITMENTS AND CONTINGENCIES

Labor Agreements

At May 31, 2021, 80 of the Organization's 298 union-eligible employees were active under the collective bargaining agreements. At May 31, 2020, 107 out of the Organization's 296 union-eligible employees were active. Total employee count at year-end May 31, 2021 and 2020 was 389 and 412, respectively. The current collective bargaining agreement expired on May 31, 2021 and was renewed on June 1, 2021 through May 31, 2024, 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, 2021 and 2020, the Organization accrued employee insurance claims of \$538,317 and \$405,271, respectively, which are included in Accounts Payable in the accompanying consolidated balance sheets.

Stop-loss premiums and claims payments totaling \$3,216,687 and \$2,442,145 were expended during the years ended May 31, 2021 and 2020, respectively, and are included in Payroll Taxes and Benefits expense in the accompanying consolidated statements of operations.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 \$1,307,000 and \$871,000 as of May 31, 2021 and 2020, 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.

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 \$298,000 and \$315,000 in workers' compensation premiums during 2021 and 2020, 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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 16 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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 2022 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, 2021.



**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, 2021, 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 November 2, 2021.

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) as a basis for designing 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.

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 consolidated financial statements. 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Denver, Colorado
November 2, 2021