

Application for Automatic Extension of Time To File an Exempt Organization Return

Department of the Treasury
Internal Revenue Service

▶ **File a separate application for each return.**
▶ **Go to www.irs.gov/Form8868 for the latest information.**

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print	Name of exempt organization or other filer, see instructions. TAOS HEALTH SYSTEMS, INC.	Taxpayer identification number (TIN) 85-0289839
File by the due date for filing your return. See instructions.	Number, street, and room or suite no. If a P.O. box, see instructions. 1397 WEIMER RD.	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. TAOS, NM 87571	

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12
Form 990-T (corporation)	07		

JAMES KISER

- The books are in the care of ▶ 1397 WEIMER ROAD - TAOS, NM 87571

Telephone No. ▶ 575-758-8883

Fax No. ▶ _____

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____. If this is for the whole group, check this box . If it is for part of the group, check this box and attach a list with the names and TINs of all members the extension is for.

1 I request an automatic 6-month extension of time until APRIL 18, 2023, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

- ▶ calendar year _____ or
- ▶ tax year beginning JUN 1, 2021, and ending MAY 31, 2022.

2 If the tax year entered in line 1 is for less than 12 months, check reason: Initial return Final return Change in accounting period

3a If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	\$	0.
b If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	\$	0.
c Balance due. Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	\$	0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-TE and Form 8879-TE for payment instructions.

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)

2021

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 2021 calendar year, or tax year beginning JUN 1, 2021 and ending MAY 31, 2022

Form 990 header section containing organization name (TAOS HEALTH SYSTEMS, INC.), EIN (85-0289839), address (1397 WEIMER RD., TAOS, NM 87571), and principal officer (JAMES KISER).

Part I Summary

Summary table with columns for Revenue, Expenses, and Net Assets or Fund Balances. Rows include mission statement, governance metrics, and financial data for Prior Year and Current Year.

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.

Signature block section with fields for officer signature (JAMES KISER, CEO), preparer name (SARAH HINTZ), and firm information (CLIFTONLARSONALLEN LLP).

May the IRS discuss this return with the preparer shown above? See instructions [X] 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 \$ 66,358,158. including grants of \$ 196,333.) (Revenue \$ 79,712,717.) ACUTE CARE HOSPITAL OPERATIONS INCLUDING 1,343 INPATIENT ADMISSIONS 48,582 OUTPATIENT VISITS AND 14300 EMERGENCY DEPARTMENT VISITS. ADDITIONALLY, CLINIC VISITS TOTALING 15,672 FROM THE FOLLOWING: TAOS SURGICAL SPECIALISTS - 5,892 TAOS WOMENS HEALTH INSTITUTE - 5,242 TAOS DERMATOLOGY, BREAST AND PLASTIC SURGERY - 33 TAOS PRIMARY CARE - 0 TAOS PEDIATRICS - 4505

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 66,358,158.

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> ? See instructions	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 Rev. Proc. 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> See instructions		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)

Table with 3 columns: Question ID, Question Text, Yes, No. Rows include questions 22 through 38 regarding organizational reporting, compensation, tax-exempt bonds, and business transactions.

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

Table with 3 columns: Question ID, Question Text, Yes, No. Rows include questions 1a, 1b, and 1c regarding Form 1096, Forms W-2G, and backup withholding rules.

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

Table with columns for question number, question text, and Yes/No columns. Includes questions 2a through 17 regarding employee counts, tax returns, unrelated 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 Enter the number of voting members of the governing body at the end of the tax year; 1b Enter the number of voting members included on line 1a, above, who are independent; 2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?; 3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person?; 4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?; 5 Did the organization become aware during the year of a significant diversion of the organization's assets?; 6 Did the organization have members or stockholders?; 7a Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?; 7b Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?; 8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following: a The governing body? b Each committee with authority to act on behalf of the governing body?; 9 Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O.

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

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. Indicate how you made these available. Check all that apply.
[] Own website [] Another's website [X] Upon request [] Other (explain on Schedule O)
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
JAMES KISER - 575-758-8883
1397 WEIMER ROAD, TAOS, NM 87571

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 the 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, Form 1099-MISC, and/or box 1 of Form 1099-NEC) 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 the 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/1099-NEC)	(E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC)	(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. STEPHEN P LUCERO PHYSICIAN	40.00					X	500,144.	0.	30,573.	
(2) DR. WILLIAM DOUGHERTY PHYSICIAN	40.00					X	466,044.	0.	15,653.	
(3) DR. JOHN WELLS PHYSICIAN	40.00					X	390,164.	0.	34,844.	
(4) WILLIAM PATTEN, JR. CEO	50.00			X			379,766.	0.	30,782.	
(5) DR. AMY MARTIN PHYSICIAN	40.00					X	359,084.	0.	34,869.	
(6) DR. DAVID FLANAGAN PHYSICIAN	40.00					X	355,924.	0.	15,634.	
(7) CIPRY JARAMILLO, MD BOARD MEMBER & CHIEF OF STAFF	40.00	X		X			245,221.	0.	35,741.	
(8) PAM AKIN, CLNC CNO (THRU DEC. 2021)	45.00				X		173,113.	0.	23,423.	
(9) STEVE ROZENBOOM CFO	50.00			X			167,920.	0.	21,141.	
(10) CONNIE PREWITT INTERIM CFO	50.00			X			81,632.	0.	11,517.	
(11) JAY CHRIS STAGG CHAIR	1.00	X		X			0.	0.	0.	
(12) TRINIDAD DE JESUS ARGUELLO VICE CHAIR	1.00	X		X			0.	0.	0.	
(13) LUCILLE GALLEGOS-JARAMILLO TREASURER	1.00	X		X			0.	0.	0.	
(14) MENICE SANTISTEVAN SECRETARY	1.00	X		X			0.	0.	0.	
(15) CRISTINA MARTINEZ BOARD MEMBER	1.00	X					0.	0.	0.	
(16) DONALD MOONEY BOARD MEMBER	1.00	X					0.	0.	0.	
(17) EDUARDO SAMPERE 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/1099-NEC)	(E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC)	(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) PAUL SANDS BOARD MEMBER	1.00	X						0.	0.	0.
(19) PETER SELZER, MD BOARD MEMBER	1.00	X						0.	0.	0.
(20) LYNN SKALL BOARD MEMBER	1.00	X						0.	0.	0.
(21) BARBARA VONDY BOARD MEMBER	1.00	X						0.	0.	0.
1b Subtotal							3,119,012.	0.	254,177.	
c Total from continuation sheets to Part VII, Section A							0.	0.	0.	
d Total (add lines 1b and 1c)							3,119,012.	0.	254,177.	

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 **14**

	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	8,135,224.
CPSI PO BOX 11407, BIRMINGHAM, AL 35246	TRUBRIDGE SERVICES	2,226,972.
NETHERLANDS ANESTHESIA LLC PO BOX 69342, BALTIMORE, MD 21264	CRNA	1,037,042.
SHARED IMAGING INC LOCK BOX 88544, MILWAUKEE, WI 53288	DIAGNOSTIC IMAGING SERVICES	408,621.
QUORUM HEALTH RESOURCES LLC, 1573 MALLORY LANE STE 200, BRENTWOOD, TN 37027	CONSULTING SERVICES	381,265.

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 **26**

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	37,153.				
	d Related organizations	1d					
	e Government grants (contributions)	1e	9,559,339.				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	2,178,767.				
	g Noncash contributions included in lines 1a-1f	1g	\$				
	h Total. Add lines 1a-1f			11,775,259.			
Program Service Revenue	2 a NET PATIENT SERVICE REVENUE	Business Code	624100	74,957,261.	74,957,261.		
	b INDIGENT FUND REVENUE		624100	4,002,571.	4,002,571.		
	c						
	d						
	e						
	f All other program service revenue						
	g Total. Add lines 2a-2f			78,959,832.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			34,024.		34,024.	
	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	8,192.	93,000.		
			(ii) Other				
	b Less: cost or other basis and sales expenses	7b		25,375.	134,812.		
c Gain or (loss)	7c		-17,183.	-41,812.			
d Net gain or (loss)			-58,995.		-58,995.		
8 a Gross income from fundraising events (not including \$ 37,153. of contributions reported on line 1c). See Part IV, line 18	8a			1,110.			
				4,419.			
b Less: direct expenses	8b						
c Net income or (loss) from fundraising events			-3,309.		-3,309.		
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	543,839.	543,839.		
	b FOOD SERVICE INCOME		722000	209,046.	209,046.		
	c						
	d All other revenue						
	e Total. Add lines 11a-11d			752,885.			
12 Total revenue. See instructions			91,459,696.	79,712,717.	0.	-28,280.	

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	196,333.	196,333.		
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	1,302,664.	1,275,588.	27,076.	
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	30,319,921.	23,072,708.	7,247,213.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	495,513.	376,777.	118,736.	
9 Other employee benefits	3,419,896.	2,616,310.	803,586.	
10 Payroll taxes	2,432,130.	1,871,175.	560,955.	
11 Fees for services (nonemployees):				
a Management				
b Legal	906,124.		906,124.	
c Accounting	50,558.		50,558.	
d Lobbying	6,679.		6,679.	
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.)	18,103,020.	14,122,226.	3,980,794.	
12 Advertising and promotion	85,505.	7,703.	77,802.	
13 Office expenses	1,106,659.	969,431.	137,228.	
14 Information technology	329,008.	288,210.	40,798.	
15 Royalties				
16 Occupancy	2,176,654.	871,313.	1,305,341.	
17 Travel	74,437.	74,437.		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials ...				
19 Conferences, conventions, and meetings	91,189.	8,215.	82,974.	
20 Interest	19,170.		19,170.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	2,276,016.	1,615,971.	660,045.	
23 Insurance	1,987,747.	1,799,487.	188,260.	
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	10,715,247.	10,715,247.		
b BAD DEBT EXPENSE	4,945,559.	4,945,559.		
c MAINTENANCE & REPAIRS	1,362,247.	972,214.	390,033.	
d TAXES	1,187,431.	106,968.	1,080,463.	
e All other expenses	1,848,764.	452,286.	1,396,478.	
25 Total functional expenses. Add lines 1 through 24e	85,438,471.	66,358,158.	19,080,313.	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	12,215,480.	1	10,240,960.
	2 Savings and temporary cash investments	1,439,721.	2	4,767,681.
	3 Pledges and grants receivable, net	13,483.	3	96,457.
	4 Accounts receivable, net	10,189,580.	4	10,282,496.
	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	18,553.	7	16,895.
	8 Inventories for sale or use	1,610,717.	8	1,674,135.
	9 Prepaid expenses and deferred charges	1,885,233.	9	977,281.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 40,793,862.		
	b Less: accumulated depreciation	10b 26,529,471.		
	11 Investments - publicly traded securities	15,775,801.	10c	14,264,391.
	12 Investments - other securities. See Part IV, line 11	108,434.	11	91,755.
	13 Investments - program-related. See Part IV, line 11	15,218.	12	
	14 Intangible assets		13	15,218.
	15 Other assets. See Part IV, line 11		14	174,570.
16 Total assets. Add lines 1 through 15 (must equal line 33)	113,538.	15	243,508.	
	43,385,758.	16	42,845,347.	
Liabilities	17 Accounts payable and accrued expenses	9,972,187.	17	11,733,548.
	18 Grants payable		18	
	19 Deferred revenue	6,962,176.	19	3,489,865.
	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	4,928,521.	23	85,021.
	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	21,862,884.	26	15,308,434.
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	21,286,020.	27	27,183,093.
	28 Net assets with donor restrictions	236,854.	28	353,820.
	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	21,522,874.	32	27,536,913.
33 Total liabilities and net assets/fund balances	43,385,758.	33	42,845,347.	

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	91,459,696.
2	Total expenses (must equal Part IX, column (A), line 25)	2	85,438,471.
3	Revenue less expenses. Subtract line 2 from line 1	3	6,021,225.
4	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	4	21,522,874.
5	Net unrealized gains (losses) on investments	5	-7,186.
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	27,536,913.

Part XII Financial Statements and Reporting

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

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

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

Form 990 (2021)

SCHEDULE A
(Form 990)

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

2021

Open to Public Inspection

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

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Tax revenues levied for the organization's benefit; 3 The value of services or facilities furnished by a governmental unit; 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

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 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); 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.

Section C. Computation of Public Support Percentage

Table with 2 columns: Line number, Percentage. Rows include: 14 Public support percentage for 2021 (line 6, column (f), divided by line 11, column (f)); 15 Public support percentage from 2020 Schedule A, Part II, line 14; 16a 33 1/3% support test - 2021. 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; b 33 1/3% support test - 2020. 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; 17a 10% -facts-and-circumstances test - 2021. 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; b 10% -facts-and-circumstances test - 2020. 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; 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.

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

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Gross receipts from admissions; 3 Gross receipts from activities that are not an unrelated trade or business; 4 Tax revenues levied for the organization's benefit; 5 The value of services or facilities furnished by a governmental unit; 6 Total; 7a Amounts included on lines 1, 2, and 3 received from disqualified persons; 7b Amounts included on lines 2 and 3 received from other than disqualified persons; 8 Public support.

Section B. Total Support

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 9 Amounts from line 6; 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources; 10b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975; 10c Add lines 10a and 10b; 11 Net income from unrelated business activities not included on 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.

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

Table with 2 columns: Description, Percentage. Row 15: Public support percentage for 2021 (line 8, column (f), divided by line 13, column (f)) 15%. Row 16: Public support percentage from 2020 Schedule A, Part III, line 15 16%.

Section D. Computation of Investment Income Percentage

Table with 2 columns: Description, Percentage. Row 17: Investment income percentage for 2021 (line 10c, column (f), divided by line 13, column (f)) 17%. Row 18: Investment income percentage from 2020 Schedule A, Part III, line 17 18%.

19a 33 1/3% support tests - 2021. 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 - 2020. 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).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described on line 7? <i>If "Yes," complete Part I of Schedule L (Form 990).</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 on 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 on 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)

Table with 3 columns: Question, Yes, No. Row 11: Has the organization accepted a gift or contribution from any of the following persons? Sub-rows 11a, 11b, 11c.

Section B. Type I Supporting Organizations

Table with 3 columns: Question, Yes, No. Row 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? Row 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?

Section C. Type II Supporting Organizations

Table with 3 columns: Question, Yes, No. Row 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)?

Section D. All Type III Supporting Organizations

Table with 3 columns: Question, Yes, No. Row 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? Row 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? Row 3: By reason of the relationship described on 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?

Section E. Type III Functionally Integrated Supporting Organizations

Table with 3 columns: Question, Yes, No. Row 1: Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions). Sub-rows a, b, c. Row 2: Activities Test. Answer lines 2a and 2b below. Sub-rows a, b. Row 3: Parent of Supported Organizations. Answer lines 3a and 3b below. Sub-rows a, b.

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 (<i>explain in detail in Part VI</i>):		
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 2021 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-2021	(iii) Distributable Amount for 2021
1 Distributable amount for 2021 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2021 (reasonable cause required - <i>explain in Part VI</i>). See instructions.			
3 Excess distributions carryover, if any, to 2021			
a From 2016			
b From 2017			
c From 2018			
d From 2019			
e From 2020			
f Total of lines 3a through 3e			
g Applied to underdistributions of prior years			
h Applied to 2021 distributable amount			
i Carryover from 2016 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from line 3f.			
4 Distributions for 2021 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2021 distributable amount			
c Remainder. Subtract lines 4a and 4b from line 4.			
5 Remaining underdistributions for years prior to 2021, 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 2021. 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 2022. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2017			
b Excess from 2018			
c Excess from 2019			
d Excess from 2020			
e Excess from 2021			

Schedule A (Form 990) 2021

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 input.

Schedule B
(Form 990)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

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

OMB No. 1545-0047

2021

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), 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), 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).

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/>	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
2	<hr/> <hr/> <hr/>	\$ 5,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
3	<hr/> <hr/> <hr/>	\$ 25,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
4	<hr/> <hr/> <hr/>	\$ 90,000.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<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	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	

SCHEDULE C
(Form 990)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2021

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 <p style="text-align: center;">TAOS HEALTH SYSTEMS, INC.</p>	Employer identification number <p style="text-align: center;">85-0289839</p>
--	---

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) 2021**

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%;"> <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?														

Yes 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) 2018	(b) 2019	(c) 2020	(d) 2021	(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)).

	(a)		(b)
	Yes	No	Amount
<i>For each "Yes" response on lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.</i>			
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		6,679.
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?		X	
j Total. Add lines 1c through 1i			6,679.
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

2021

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.

Table with 3 columns: Question, (a) Donor advised funds, (b) Funds and other accounts. Rows include total number at end of year, aggregate value of contributions, grants, and end of year, and two yes/no questions about donor property and grant fund usage.

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

Form with multiple sections: 1. Purpose(s) of conservation easements (checkboxes for land, habitat, open space, historic area, structure). 2. Conservation contribution details (2a-2d table). 3-7. Monitoring and enforcement details. 8-9. Section 170(h)(4)(B) requirements and reporting.

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.

Form with sections 1a-1b and 2. 1a: Reporting on revenue and assets for public exhibition. 1b: Reporting on revenue and assets for public exhibition. 2: Reporting on revenue and assets for financial gain.

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	26,626.	24,607.	23,838.	23,728.	22,909.
b Contributions					
c Net investment earnings, gains, and losses	1,819.	2,484.	999.	722.	1,324.
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses	517.	465.	229.	612.	505.
g End of year balance	27,928.	26,626.	24,607.	23,838.	23,728.

- 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"/> | | |
- 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		2,165,031.		2,165,031.
b Buildings		13,396,433.	7,757,807.	5,638,626.
c Leasehold improvements		3,391,226.	2,323,844.	1,067,382.
d Equipment		21,215,664.	15,948,333.	5,267,331.
e Other		625,508.	499,487.	126,021.
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				14,264,391.

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.

Table with 3 columns: (a) Description of security or category, (b) Book value, (c) Method of valuation. Rows include (1) Financial derivatives, (2) Closely held equity interests, (3) Other (A-H), and Total.

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.

Table with 3 columns: (a) Description of investment, (b) Book value, (c) Method of valuation. Rows (1) through (9) and Total.

Part IX Other Assets.

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

Table with 2 columns: (a) Description, (b) Book value. Rows (1) through (9) and Total.

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.

Table with 2 columns: (a) Description of liability, (b) Book value. Row 1 includes (1) Federal income taxes, (2) through (9), and Total.

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 ... [X]

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	86,315,037.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains (losses) on investments	2a	-7,186.
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIII.)	2d	4,419.
e	Add lines 2a through 2d	2e	-2,767.
3	Subtract line 2e from line 1	3	86,317,804.
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	5,141,892.
c	Add lines 4a and 4b	4c	5,141,892.
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)	5	91,459,696.

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	80,300,998.
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	4,419.
e	Add lines 2a through 2d	2e	4,419.
3	Subtract line 2e from line 1	3	80,296,579.
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	5,141,892.
c	Add lines 4a and 4b	4c	5,141,892.
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)	5	85,438,471.

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 4,419.

PART XI, LINE 4B - OTHER ADJUSTMENTS:

BAD DEBT RECLASSIFICATION 4,945,559.

CHARITABLE CARE 196,333.

TOTAL TO SCHEDULE D, PART XI, LINE 4B 5,141,892.

PART XII, LINE 2D - OTHER ADJUSTMENTS:

FUNDRAISING EXPENSES 4,419.

PART XII, LINE 4B - OTHER ADJUSTMENTS:

BAD DEBT RECLASSIFICATION 4,945,559.

CHARITABLE CARE 196,333.

TOTAL TO SCHEDULE D, PART XII, LINE 4B 5,141,892.

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)**

Supplemental Information Regarding Fundraising or Gaming Activities

OMB No. 1545-0047

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.

2021

Department of the Treasury
Internal Revenue Service

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

**Open to Public
Inspection**

▶ **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.
-
-
-
-
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-

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
		FOR THE HEALTH (event type)	PAINT TAOS PINK (event type)	NONE (total number)	
Revenue	1	Gross receipts	19,471.	18,792.	38,263.
	2	Less: Contributions	18,361.	18,792.	37,153.
	3	Gross income (line 1 minus line 2)	1,110.		1,110.
Direct Expenses	4	Cash prizes			
	5	Noncash prizes			
	6	Rent/facility costs			
	7	Food and beverages			
	8	Entertainment			
	9	Other direct expenses	3,234.	1,185.	4,419.
	10	Direct expense summary. Add lines 4 through 9 in column (d)			4,419.
	11	Net income summary. Subtract line 10 from line 3, column (d)			-3,309.

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			
	2	Cash prizes			
Direct Expenses	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:

a The organization's facility	13a	%
b An outside facility	13b	%
- 14 Enter the name and address of the person who prepares the organization's gaming/special events books and records:

Name ▶ _____

Address ▶ _____

- 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.

Part IV Supplemental Information *(continued)*

Horizontal lines for supplemental information input.

**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

2021

Open to Public Inspection

Name of the organization TAOS HEALTH SYSTEMS, INC.	Employer identification number 85-0289839
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Part I Financial Assistance and Certain Other Community Benefits at Cost

	Yes	No
1a Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	X	
b If "Yes," was it a written policy?	X	
2 If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year. <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3 Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year.		
a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free care</i> ? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care:	X	
<input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted care</i> ? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care:	X	
<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 _____ %		
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care.		
4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?		X
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?		X
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)			97,591.		97,591.	.12%
b Medicaid (from Worksheet 3, column a)			19,251,787.	17,681,392.	1,570,395.	1.95%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total. Financial Assistance and Means-Tested Government Programs			19,349,378.	17,681,392.	1,667,986.	2.07%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			3,707,770.	3,853,990.	0.	.00%
f Health professions education (from Worksheet 5)			70,565.		70,565.	.09%
g Subsidized health services (from Worksheet 6)			534,243.	168,316.	365,927.	.45%
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			3,500.		3,500.	.00%
j Total. Other Benefits			4,316,078.	4,022,306.	439,992.	.54%
k Total. Add lines 7d and 7j			23,665,456.	21,703,698.	2,107,978.	2.61%

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, etc.

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

Table for Section A with rows for bad debt reporting (1), total bad debt expense (2: 4,945,559), and estimated amount attributable to patients (3: 2,967,335). Includes Yes/No columns.

Section B. Medicare

Table for Section B with rows for Medicare revenue (5: 14,229,837), allowable costs (6: 19,741,166), and surplus/shortfall (7: -5,511,329). Includes method used checkboxes.

Section C. Collection Practices

Table for Section C with rows for written debt collection policy (9a) and provisions on collection practices (9b).

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

Table with 5 columns: (a) Name of entity, (b) Description of primary activity of entity, (c) Organization's profit % or stock ownership %, (d) Officers, directors, trustees, or key employees' profit % or stock ownership %, (e) Physicians' profit % or stock ownership %.

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)

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

Table with 3 columns: Question, Yes, No. Rows include Community Health Needs Assessment questions 1 through 12c.

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 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)		

Schedule H (Form 990) 2021

Part V Facility Information (continued)

Billing and Collections

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

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

Policy Relating to Emergency Medical Care

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

Part V Facility Information *(continued)*

Charges to Individuals Eligible for Assistance Under the FAP (FAP-Eligible Individuals)

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

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

Schedule H (Form 990) 2021

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: A CHNA SURVEY WAS DEPLOYED TO THE HOSPITAL'S

LOCAL EXPERT ADVISORS AND OFFERED TO THE COMMUNITY, THROUGH THE HOSPITAL'S

SOCIAL MEDIA AND WEBSITE, TO GAIN INPUT ON LOCAL HEALTH NEEDS AND THE

NEEDS OF PRIORITY POPULATIONS. LOCAL EXPERT ADVISORS WERE LOCAL

INDIVIDUALS SELECTED ACCORDING TO CRITERIA REQUIRED BY THE FEDERAL

GUIDELINES AND REGULATIONS AND THE HOSPITAL'S DESIRE TO REPRESENT THE

REGION'S GEOGRAPHICALLY AND ETHNICALLY DIVERSE POPULATION. COMMUNITY INPUT

FROM 24 IDENTIFIED LOCAL EXPERT ADVISORS AND 491 COMMUNITY MEMBERS WERE

RECEIVED. SURVEY RESPONSES WERE COLLECTED IN FEBRUARY 2022.

TAOS HEALTH SYSTEMS, INC.:

PART V, SECTION B, LINE 7D: THE COMMUNITY HEALTH NEEDS ASSESSMENT AND

IMPLEMENTATION STRATEGY ARE AVAILABLE ONLINE AT

[HTTP://HOLYCROSSMEDICALCENTER.ORG/GENERAL/COMMUNITY-HEALTH-NEEDS-ASSESSMENT](http://holycrossmedicalcenter.org/general/community-health-needs-assessment)

-2022/

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.

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 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%

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.

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 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.

- 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

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.

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

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

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 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

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

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 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.

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

DUALLY 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

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.

- 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.

(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](https://holycrossmedicalcenter.org/patient-visitor-information/patient-info)

[RMATION/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/PRIMARY CARE
3 TAOS CARDIOLOGY 330 PASEO DEL PUEBLO SUR, SUITE H TAOS, NM 87571	CARDIOLOGY CLINIC
4 TAOS CLINIC FOR CHILDREN & YOUTH 1393 WEIMER ROAD TAOS, NM 87571	PEDIATRIC 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 DIABETIC EDUCATION
 SERVICES.

Part VI Supplemental Information (Continuation)

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 \$ 4,945,559.

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 III, LINE 4:

THE FOOTNOTE THAT DESCRIBES THE ORGANIZATION'S BAD DEBT EXPENSE IS LOCATED

Part VI Supplemental Information (Continuation)

ON PAGE 11 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, 2022
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 2022 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
ACTS AS FISCAL AGENT FOR THE TAOS CARES HEALTH COUNCIL, WHICH CONVENES
COMMUNITY MEMBERS AND PARTNER AGENCIES MONTHLY IN ORDER TO:

Part VI Supplemental Information (Continuation)

- 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 GIVEN APPLICATIONS AND ASSISTED IN COMPLETING THE FORMS IF NECESSARY.

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

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

Part VI Supplemental Information (Continuation)

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 SELFPAY

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%

UNINSURED DISCOUNT IF THEY DO NOT APPLY FOR FINANCIAL ASSISTANCE.

FOR ACCOUNTS LESS THAN \$2,000, INCOMPLETE APPLICATIONS WILL NOT BE

Part VI Supplemental Information (Continuation)

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 56.9% HISPANIC OR LATINO, 6.2% NATIVE AMERICAN AND 36.9% WHITE NON-HISPANIC. IN TAOS COUNTY, 24.9% OF OUR COLLECTIVE POPULATION IS 65 OR OVER, COMPARED TO 17.6% STATE-WIDE, 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 25% OF ALL TAOS COUNTY CHILDREN UNDER 18 LIVING IN POVERTY.

PART VI, LINE 5:

THS CONTAINS HOLY CROSS HOSPITAL, TAOS WOMEN'S HEALTH INSTITUTE, TAOS

Part VI Supplemental Information (Continuation)

SURGICAL SPECIALTISTS, TAOS PRIMARY CARE, TAOS CARDIOLOGY, AND TCCY. 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, CARDIOLOGY CLINIC AND A SURGICAL SPECIALTIES CLINIC TO

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

OUR SYSTEM EMPLOYS 19 PHYSICIANS AND 6 ADVANCE PRACTICE CLINICIANS IN

GENERAL SURGERY, UROLOGY, OB/GYN, PRIMARY CARE, PEDIATRICS, 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.

THIS 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.

- 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

Schedule H (Form 990)

Part VI Supplemental Information (Continuation)

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

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

**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

2021

**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 noncash 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.

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
CHARITY CARE	143	196,333.	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.

CHARITY CARE RECIPIENTS MUST QUALIFY FOR FINANCIAL ASSISTANCE. ONE A

PATIENT IS APPROVED IT WILL BE VALID FOR SIX MONTHS. FINANCIAL INFORMATION

MUST BE PROVIDED TO QUALIFY AND TO CONTINUE TO RECEIVE FINANCIAL

ASSISTANCE.

**SCHEDULE J
(Form 990)**

Compensation Information

OMB No. 1545-0047

2021

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) 2021

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 and/or 1099-NEC 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. STEPHEN P LUCERO PHYSICIAN	(i)	496,334.	0.	3,810.	5,000.	25,573.	530,717.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) DR. WILLIAM DOUGHERTY PHYSICIAN	(i)	462,234.	0.	3,810.	4,630.	11,023.	481,697.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(3) DR. JOHN WELLS PHYSICIAN	(i)	389,725.	0.	439.	3,936.	30,908.	425,008.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(4) WILLIAM PATTEN, JR. CEO	(i)	321,082.	46,182.	12,502.	5,000.	25,782.	410,548.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(5) DR. AMY MARTIN PHYSICIAN	(i)	358,982.	0.	102.	3,558.	31,311.	393,953.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(6) DR. DAVID FLANAGAN PHYSICIAN	(i)	354,634.	0.	1,290.	5,000.	10,634.	371,558.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) CIPRY JARAMILLO, MD BOARD MEMBER & CHIEF OF STAFF	(i)	244,318.	0.	903.	5,000.	30,741.	280,962.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(8) PAM AKIN, CLNC CNO (THRU DEC. 2021)	(i)	172,112.	0.	1,001.	1,767.	21,656.	196,536.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(9) STEVE ROZENBOOM CFO	(i)	164,780.	0.	3,140.	4,283.	16,858.	189,061.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(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 2021, 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)

Transactions With Interested Persons

OMB No. 1545-0047

2021

Open To Public Inspection

Department of the Treasury
Internal Revenue Service

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.

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.

Table with 4 main columns: (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.

Table with 9 main columns: (a) Name of interested person, (b) Relationship with organization, (c) Purpose of loan, (d) Loan to or from the organization? (To/From), (e) Original principal amount, (f) Balance due, (g) In default? (Yes/No), (h) Approved by board or committee? (Yes/No), (i) Written agreement? (Yes/No).

Total \$

Part III Grants or Assistance Benefiting Interested Persons.

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

Table with 5 main columns: (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,	19,986.	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)**

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 Form 990-EZ.

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

OMB No. 1545-0047

2021

Open to Public
Inspection

Name of the organization

TAOS HEALTH SYSTEMS, INC.

Employer identification number

85-0289839

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

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) 2021

Name of the organization TAOS HEALTH SYSTEMS, INC.	Employer identification number 85-0289839
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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 2021.

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

PROFESSIONAL FEES:

PROGRAM SERVICE EXPENSES	2,448,681.
MANAGEMENT AND GENERAL EXPENSES	12,000.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	2,460,681.

PURCHASED SERVICES:

PROGRAM SERVICE EXPENSES	11,673,545.
MANAGEMENT AND GENERAL EXPENSES	3,968,794.
FUNDRAISING EXPENSES	0.
TOTAL EXPENSES	15,642,339.
TOTAL OTHER FEES ON FORM 990, PART IX, LINE 11G, COL A	18,103,020.

FORM 990, PART XII, LINE 2C:

THE PROCESS FOR OVERSIGHT AND SELECTION OF AN INDEPENDENT ACCOUNTANT
 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

2021

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	2,843,142.	806,679.	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) 2021

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?

- a** Receipt of **(i)** interest, **(ii)** annuities, **(iii)** royalties, or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)
- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)
- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)
- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses
- r** Other transfer of cash or property to related organization(s)
- s** Other transfer of cash or property from related organization(s)

	Yes	No
1a		
1b		
1c		
1d		
1e		
1f		
1g		
1h		
1i		
1j		
1k		
1l		
1m		
1n		
1o		
1p		
1q		
1r		
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	

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2022 AND 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

TAOS HEALTH SYSTEMS, INC.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Holy Cross Medical Center (the Organization), which comprise the consolidated balance sheets as of May 31, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Taos Health Systems, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Denver, Colorado
October 26, 2022

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
MAY 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 14,980,713	\$ 13,628,574
Short-Term Investments	27,928	26,627
Patient Accounts Receivable	10,198,668	7,270,649
Estimated Amounts Due from Third-Party Payors	-	2,918,931
Other Receivables	440,688	145,574
Inventory Supplies	1,674,135	1,610,717
Prepaid Expenses and Other	977,281	1,885,233
Total Current Assets	28,299,413	27,486,305
ASSETS LIMITED AS TO USE - BOARD-DESIGNATED	91,755	108,434
EQUITY METHOD INVESTMENT	15,218	15,218
PROPERTY AND EQUIPMENT, NET	14,264,391	15,775,801
GOODWILL, NET	174,570	-
Total Assets	\$ 42,845,347	\$ 43,385,758

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MAY 31, 2022 AND 2021

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 9,007,554	\$ 7,297,759
Accrued Expenses	2,380,020	2,379,713
Current Portion of Capital Lease Obligations	77,047	294,715
Current Portion of Long-Term Debt	-	4,843,500
Estimated Amounts Due to Third-Party Payors	345,974	-
Deferred Revenue	3,489,865	6,962,176
Total Current Liabilities	15,300,460	21,777,863
LONG-TERM LIABILITIES		
Capital Lease Obligations, Less Current Portion	7,974	85,021
Total Long-Term Liabilities	7,974	85,021
Total Liabilities	15,308,434	21,862,884
NET ASSETS		
Net Assets Without Donor Restrictions	27,183,093	21,286,020
Net Assets With Donor Restrictions	353,820	236,854
Total Net Assets	27,536,913	21,522,874
Total Liabilities and Net Assets	\$ 42,845,347	\$ 43,385,758

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021
OPERATING REVENUE		
Patient Service Revenue	\$ 69,815,369	\$ 64,295,948
Other Operating Revenue	12,199,389	11,323,921
Net Assets Released from Restrictions Used for Operations	112,250	155,392
Total Operating Revenues	82,127,008	75,775,261
OPERATING EXPENSES		
Salaries and Wages	31,528,307	30,127,030
Purchased Services	15,699,576	13,860,378
Supplies and Minor Equipment	12,503,229	11,464,613
Payroll Taxes and Benefits	6,441,817	6,087,365
Professional Fees	2,460,681	1,273,517
Depreciation and Amortization	2,276,016	2,208,616
Leases and Rentals	1,368,976	1,336,883
Repairs and Maintenance	1,362,247	1,041,265
Other	3,771,117	4,149,473
Insurance	1,987,747	1,717,471
Telephone and Utilities	807,678	736,904
Travel, Meals, and Entertainment	74,437	10,628
Interest	19,170	4,208
Total Operating Expenses	80,300,998	74,018,351
INCOME FROM OPERATIONS	1,826,010	1,756,910
NONOPERATING GAINS (LOSSES)		
Investment Income	9,655	38,744
Tax Revenues	3,840,546	2,238,781
Other Income (Loss)	220,862	(24,648)
Net Nonoperating Gains	4,071,063	2,252,877
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 5,897,073	\$ 4,009,787

See accompanying Notes to Consolidated Financial Statements.

**TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF NET ASSETS
YEARS ENDED MAY 31, 2022 AND 2021**

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Increase in Net Assets Without Donor Restrictions	\$ 5,897,073	\$ 4,009,787
NET ASSETS WITH DONOR RESTRICTIONS		
Restricted Grants and Donations	229,216	258,772
Net Assets Released from Restrictions	(112,250)	(155,392)
Increase in Net Assets with Donor Restrictions	116,966	103,380
INCREASE IN NET ASSETS	6,014,039	4,113,167
Net Assets - Beginning of Year	21,522,874	17,409,707
NET ASSETS - END OF YEAR	\$ 27,536,913	\$ 21,522,874

See accompanying Notes to Consolidated Financial Statements.

TAOS HEALTH SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MAY 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 6,014,039	\$ 4,113,167
Adjustment to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	2,276,016	2,208,616
Loss on Disposal of Property and Equipment	41,812	38,249
Net Unrealized (Gains) Losses on Assets Limited as to use	7,186	(4,919)
Forgiveness of Long-Term Debt	(4,843,500)	-
Loss on Equity Method Investment	-	5,622
Change in Current Assets and Liabilities:		
Patient Accounts Receivable	(2,874,154)	(3,263,191)
Other Receivables	(295,114)	(80,267)
Inventory Supplies	(63,418)	(38,422)
Prepaid Expenses and Other	907,952	(693,039)
Accounts Payable	2,156,603	1,605,141
Accrued Expenses	(9,298)	522,391
Net Amounts Due from Third-Party Payors	3,264,905	(2,489,987)
Deferred Revenue	(3,472,311)	(4,507,872)
Net Cash Provided (Used) by Operating Activities	3,110,718	(2,584,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,200,663)	(1,827,627)
Net (Purchases) Sales of Assets Limited as to Use	8,192	(7,401)
Acquisition of Clinic	(271,393)	-
Net Cash Used by Investing Activities	(1,463,864)	(1,835,028)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments Under Capital Lease Obligations	(294,715)	(353,265)
Net Cash Used by Financing Activities	(294,715)	(353,265)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,352,139	(4,772,804)
Cash and Cash Equivalents - Beginning of Year	13,628,574	18,401,378
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 14,980,713	\$ 13,628,574
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Payments For Interest	\$ 19,170	\$ 4,208
Property And Equipment Purchases Included in Accounts Payable	\$ 8,068	\$ 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, 2022 AND 2021

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.
- Holy Cross Pediatrics and Primary Care, provides basic family clinic services.
- Taos Clinic for Children and Youth, provides basic pediatric 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, 2022 AND 2021

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, 2022 and 2021, the board of directors has designated assets to be used for the First Steps Program and nursing scholarships. The nursing scholarships designated assets were released in fiscal year 2022.

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, 2022 and 2021, 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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. During fiscal year 2022 the nursing scholarships funds were released.

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 2022 and 2021 was \$2,267,182 and \$2,208,616, respectively.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net (Continued)

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

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

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may be not recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at May 31, 2022 and 2021.

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. There were no contributions to or distributions received from the PHO by the Organization in fiscal years 2022 or 2021.

Goodwill, Net

In May 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-06, *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. The core principal of the new guidance is that not-for-profit entities have a one-time unconditional option to forgo a preferability assessment the first time they elect a not-for-profit accounting alternative within the scope of ASU 2019-06.

The Organization adopted ASU 2019-06 while simultaneously adopting FASB 2014-02, *Intangibles-Goodwill and Other (Topic 350): Accounting for Goodwill*, effective June 1, 2020.

Goodwill relates to the acquisition of a physician clinic by the Organization and represents the excess of the purchase price of the acquired business over the fair value of the assets acquired and liabilities assumed. Goodwill is reviewed for potential impairment if a triggering event occurs that indicates the Organization's fair value may be below its carrying value. Measurement of goodwill impairment is based on the excess of the carrying value, including goodwill, over the fair value. At May 31, 2022 and 2021, the Organization has determined that there is no impairment of goodwill.

**TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill, Net (Continued)

Amortization expense related to goodwill was \$8,834 and \$-0- for the years ending May 31, 2022 and 2021, respectively.

The future annual amortization expense for goodwill subject to amortization is as follows:

<u>Year Ending May 31,</u>	<u>Amount</u>
2023	\$ 21,201
2024	21,201
2025	21,201
2026	21,201
2027	21,201
Thereafter	68,565
Total	<u>\$ 174,570</u>

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 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.

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 \$94,000 and \$172,000 in 2022 and 2021, respectively.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021, the Organization recorded \$1,974,006 and \$1,228,148, 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, 2022 and 2021, the Organization recorded \$1,866,540 and \$1,010,633, 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, 2022 and 2021 were \$85,505 and \$102,459 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, 2022 AND 2021

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, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 October 26, 2022, 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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

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 opening and closing contract balances were as follows:

	<u>Patient Receivables</u>
Balance as of June 1, 2020	\$ 4,007,458
Balance as of May 31, 2021	7,270,649
Balance as of May 31, 2022	10,198,668

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.

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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

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, 2019. The Organization's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by the peer review organization under contract with the Organization.

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services and defined capital are paid based on a percentage above the state determined fee schedule. Cost reports are required; however, cost report settlements have been discontinued.

Other Third-Party Payors

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

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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

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.

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, 2022 and 2021.

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.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 2 PATIENT SERVICE REVENUE (CONTINUED)

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, 2022 and 2021, 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 42% and 20%, respectively, of the Organization's patient service revenue for the year ended May 31, 2022, and 38% and 23%, respectively, of the Organization's patient service revenue for the year ended May 31, 2021.

Hospital and Targeted Access Payments

In accordance with federal rule 42 CFR 438.60, the Hospital Access Payments (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. The Targeted Access Payments (TAP) program was designed to alleviate the discrepancy between the HAP payment and the Calendar Year 2019 Uncompensated Care (UC) payment under the former Safety Net Care Pool (SNCP) model. Unlike the HAP program, HSD will make payments under TAP directly to the hospitals quarterly for Calendar Year 2020. 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, 2022 AND 2021

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:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 14,980,713	\$ 13,628,574
Short-Term Investments	27,928	26,627
Receivables:		
Patient Accounts Receivable	10,198,668	7,270,649
Estimated Amounts Due from Third-Party Payors	-	2,918,931
Other	440,688	145,574
Assets Limited as to Use - Board-Designated	91,755	108,434
Total Financial Assets Available Within One Year	<u>\$ 25,739,752</u>	<u>\$ 24,098,789</u>

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. During fiscal year 2022 the nursing scholarships funds were released.

NOTE 4 INVESTMENTS AND INVESTMENT INCOME

Assets Limited as to Use

The composition of assets limited as to use at May 31, 2022 and 2021 are shown in the following table. Assets limited as to use are stated at fair value.

	<u>2022</u>	<u>2021</u>
Internally Designated For Nursing Scholarships		
Cash and Cash Equivalents	\$ -	\$ 12,366
Internally Designated For First Step Program		
Cash and Cash Equivalents	17	17
Mutual Funds	91,738	96,051
Total Assets Limited as to Use	<u>\$ 91,755</u>	<u>\$ 108,434</u>

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:

	<u>2022</u>	<u>2021</u>
Interest and Dividend Income, Net	\$ 34,024	\$ 28,122
Realized and Unrealized Gains (Losses) on Investments, Net	(24,369)	10,622
Total Investment Income	<u>\$ 9,655</u>	<u>\$ 38,744</u>

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 5 PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at May 31 follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,165,031	\$ 2,266,850
Leasehold Improvements	3,391,226	3,393,388
Buildings	13,396,433	13,751,844
Equipment	21,215,664	24,224,730
Construction in Progress	625,508	231,299
Total Property and Equipment	<u>40,793,862</u>	<u>43,868,111</u>
Less: Accumulated Depreciation	<u>(26,529,471)</u>	<u>(28,092,310)</u>
Property and Equipment, Net	<u>\$ 14,264,391</u>	<u>\$ 15,775,801</u>

Construction in progress as of May 31, 2022, consists of various projects which are expected to be completed in fiscal year 2023. The expected total cost of these projects is approximately \$650,000 and the projects are being funded internally.

NOTE 6 CAPITAL LEASE OBLIGATIONS

The Organization has entered into various capital leases for equipment. The total cost of the capital leases was \$1,720,307 as of May 31, 2022 and 2021. The capital leases had accumulated depreciation of \$1,517,956 and \$1,180,153 as of May 31, 2022 and 2021, 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>
2023	\$ 78,562
2024	8,084
Total Payments Due	<u>86,646</u>
Less: Amount Representing Interest	(1,625)
Less: Current Maturities	<u>(77,047)</u>
Noncurrent Portion of Capital Lease Obligations	<u>\$ 7,974</u>

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 7 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 accrued interest at 1% with principal and interest payments due monthly starting either (1) the date the SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The loan payments were due over 18 months. There are provisions under the PPP loan program where all or a portion of the loan may be forgiven based on certain requirements being met. On June 11, 2021, the SBA forgave the PPP loan in full. The Organization recognized the full PPP loan amount as other operating revenue in fiscal year 2022 on the consolidated statements of operations. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

NOTE 8 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 \$5,104,182 and \$725,867 during fiscal years 2022 and 2021, respectively. The remaining advanced payments to be recouped are included in Deferred Revenue on the consolidated balance sheets at May 31, 2022 and 2021.

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 \$2,204,218 and \$-0- and recognized revenues in the amount of \$616,917 and \$3,782,005 during fiscal years 2022 and 2021, respectively. The revenues recognized are included in other operating revenue on the consolidated statements of operations. The remaining balance of \$2,204,218 and \$616,917 is included in deferred revenues at May 31, 2022 and 2021, 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, 2022 and 2021.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
Health Education	\$ 11,628	\$ 6,628
Purchase of Equipment	33,136	34,439
Health Care Programs	309,056	195,787
Total	\$ 353,820	\$ 236,854

NOTE 10 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:

	2022	2021
Medicare	30 %	35 %
Medicaid	26	19
Other Third-Party Payors	13	28
Patients	31	18
Total	100 %	100 %

NOTE 11 FAIR VALUE MEASUREMENTS

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

The following table disclose the by level the fair value hierarchy of the Organization's assets at fair value as of May 31, 2022 and 2021:

	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Mutual Funds	\$ 91,738	\$ -	\$ -	\$ 91,738
Beneficial Interest in Taos Community Foundation Investments	-	27,928	-	27,928
Total Investments	\$ 91,738	\$ 27,928	\$ -	\$ 119,666

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

	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>

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 12 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 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.

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 \$515,000 and \$371,000 for fiscal years 2022 and 2021, respectively.

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 13 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:

2022	Health Care Services	General and Administrative	Total
Salaries and Wages	\$ 24,256,504	\$ 7,271,803	\$ 31,528,307
Purchased Services	11,673,545	4,026,031	15,699,576
Supplies and Minor Equipment	10,952,804	1,550,425	12,503,229
Payroll Taxes and Benefits	4,956,053	1,485,764	6,441,817
Professional Fees	2,448,681	12,000	2,460,681
Depreciation	1,615,971	660,045	2,276,016
Leases and Rentals	808,805	560,171	1,368,976
Repairs and Maintenance	972,214	390,033	1,362,247
Other	339,717	3,431,400	3,771,117
Insurance	1,799,487	188,260	1,987,747
Telephone and Utilities	62,508	745,170	807,678
Travel, Meals, and Entertainment	11,165	63,272	74,437
Interest	-	19,170	19,170
Total	<u>\$ 59,897,454</u>	<u>\$ 20,403,544</u>	<u>\$ 80,300,998</u>

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>

TAOS HEALTH SYSTEMS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 14 OPERATING LEASES

The Organization has various operating leases for building and equipment. Total expense for all operating leases was \$1,368,976 and \$1,336,883 in fiscal years 2022 and 2021, 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>
2023	\$ 672,030
2024	516,975
2025	415,950
2026	373,589
2027	379,206
Thereafter	415,056
Total	<u>\$ 1,604,955</u>

NOTE 15 COMMITMENTS AND CONTINGENCIES

Labor Agreements

At May 31, 2022, 94 of the Organization's 298 union-eligible employees were active under the collective bargaining agreements. At May 31, 2021, 80 out of the Organization's 298 union-eligible employees were active. Total employee count at year-end May 31, 2022 and 2021 was 438 and 389, respectively. The current collective bargaining agreement 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, 2022 and 2021, the Organization accrued employee insurance claims of approximately \$595,000 and \$538,000, respectively, which are included in Accounts Payable in the accompanying consolidated balance sheets.

Stop-loss premiums and claims payments totaling \$3,334,038 and \$3,216,687 were expended during the years ended May 31, 2022 and 2021, 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, 2022 AND 2021

NOTE 15 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 \$1,545,000 and \$1,307,000 as of May 31, 2022 and 2021, 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 \$301,000 and \$298,000 in workers' compensation premiums during 2022 and 2021, 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, 2022 AND 2021

NOTE 15 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 2023 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, 2022.



**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, 2022, 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 October 26, 2022.

Report on 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 or significant deficiencies may exist that have not been identified.

Report on 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.



CliftonLarsonAllen LLP

Denver, Colorado
October 26, 2022



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