Agenda

Estes Park Health Board of Directors' Finance Subcommittee Meeting

Monday, April 27, 2020

2:30 - 3:30 p.m.

Estes Park Health, 555 Prospect Avenue, Estes Park CO 80517

Timberline Conference Room / 888-895-6448 Code 7797935655#

	Regular Session	Mins.	Procedure	Presenter(s)
1	Call to Order/Welcome	1	**Action**	Dr. Monty Miller
2	Approval of the Agenda	1	**Action**	Dr. Monty Miller
3	Public Comments		Information	Public
4	Presentations			
	4.1 2019 Audited Financials Review	30	Discussion	Mr. James Mann, CPA Principal Clifton Larsen Allen, LLP
	4.2 1Q 2020 Financials Review	30	Discussion	Mr. Tim Cashman
5	Adjourn	1	**Action**	Dr. Monty Miller
	Total Regular Session Mins.	63		

Next Regular Finance Subcommittee Meeting: Friday, May 15, 2020 3:00 - 4:00 p.m.

Item 4.1

Estes Park Health

2019 Audit Results and Report to the Board of Directors

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Required Communications to Governance & Internal Control Matters

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Required Communications

Topic	Communication
Our responsibility under Generally Accepted Auditing Standards	• Express an opinion on the fair presentation of the financial statements in conformity with GAAP • Plan and perform the audit to obtain reasonable, non absolute assurance that the financial statements are free of material misstatement • Evaluate internal control over financial reporting • Utilize a risk based audit approach • Communicate significant matters to appropriate parties
Planned Scope and Timing of the Audit	• Performed the audit according to the planned scope and timing previously discussed
Other Information in Documents Containing the Audited Financial Statements	• Financial statements may only be used in their entirety • Our approval is required to use our audit report in a client prepared document • We have no responsibility to perform procedures beyond those related to the financial statements • No opinion places of required supplemental (RSI) information

Required Communications

Topic	Communication
Significant Accounting Policies	• Management is responsible for the accounting policies of the organization • Accounting policies are outlined in Note 1 to the financial statements • No significant changes to the accounting policies during the year • Accounting policies deemed appropriate • No unusual transactions occurred
Significant Accounting Estimates	• An area of focus under a risk based audit approach • Significant estimates include: Allowance for contractual adjustment and bad debts, useful lives assigned to fixed assets, self-funded health insurance liability, and third-party settlements • Estimates determined by management based on their knowledge and experience • No management bias indicated • Estimates were deemed reasonable • Estimate uncertainty is disclosed in the financial statements
Significant Financial Statement Disclosures	• **No** sensitive disclosures • **No** significant risks, exposures, or uncertainties • **No** unusual transactions • Disclosures are neutral, consistent, and clear

Required Communications

Topic	Communication
Management Representation Letter	• Management will provide signed representation letter prior to finalization of the audit report
Supplemental Information	• Budget and actual revenues and expenses • Engaged to report in relation to the financial statements as a whole • Method of preparing has not changed from prior year, supplemental information reconciled to the financial statements • Supplemental information appears appropriate and complete in relation to our audit
Other	• No difficulties encountered in performing the audit • No issues discussed prior to retention as independent auditors • No disagreements with management regarding accounting, reporting, or other matters • No consultations with other independent auditors • No other findings or issues were discussed with, or communicated to, management

Internal Control Matters

Topic	Communication
Purpose	• Express an opinion on the financial statements, not on the effectiveness of internal controls. • Our consideration of internal controls 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls.
Material Weakness	• Reasonable possibility that a material misstatement would not be prevented, or detected and corrected on a timely basis.
Significant Deficiencies	• Less significant than a material weakness, yet important enough to merit the attention of governance.
Restricted Use	• This communication is intended solely for the information and use of management, the audit committee, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.
Results	• No Material Weaknesses Identified

General Internal Control Comments

- Review of journal entries
- Improvements around IT controls in fiscal year 2019
  - Recommend performing external penetration testing in 2020

Your Business: Financial Ratios

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

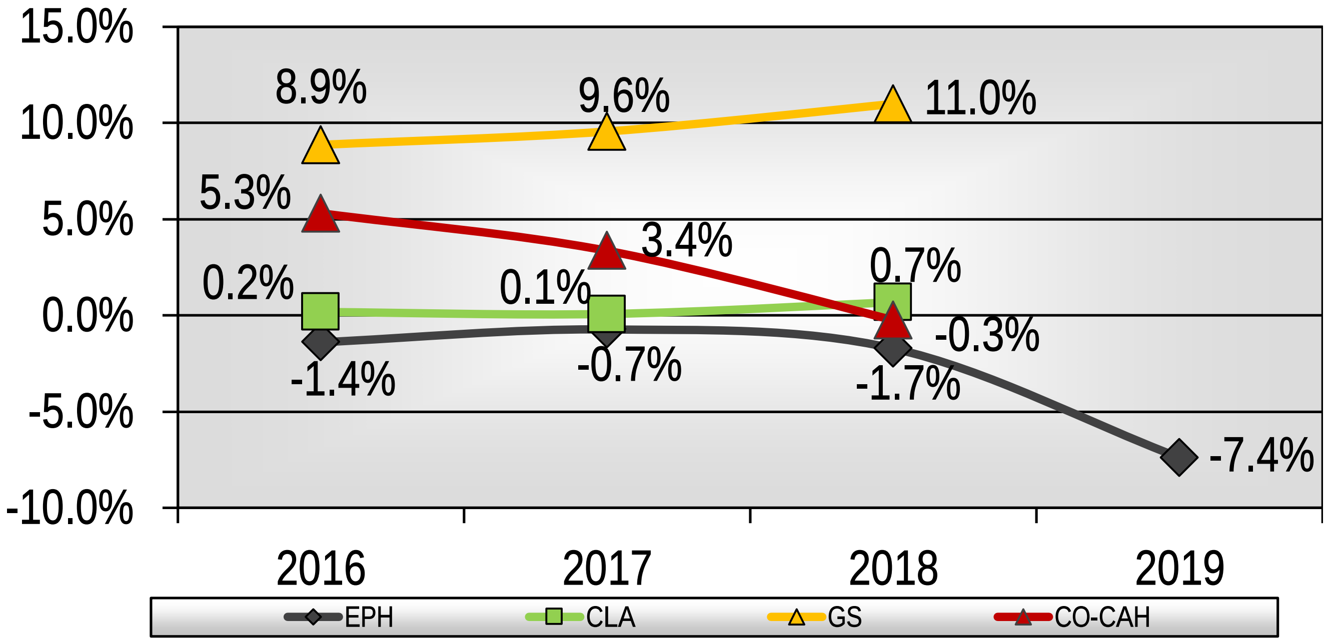
Financial Ratios – Comparative Data Used

- Estes Park Health (EPH) → 2016 - 2019
  - $48.3 Million Net Patient Service Revenue
- CliftonLarsonAllen CAH Clients (CLA) → 2016 - 2018
  - CAH Hospitals with less than $75 million of net patient service revenue
- CliftonLarsonAllen Gold Standard (GS) → 2016 - 2018
  - 1,300 fiscal year reports analyzed and used in preparation of ratios and benchmarks
  - 35 Gold Standard Facilities
- Colorado Critical Access Hospitals (CO-CAH) → 2016 - 2018
  - Colorado CAH data extracted as part of the CliftonLarsonAllen gold standard study

Operating Margin

Definition:

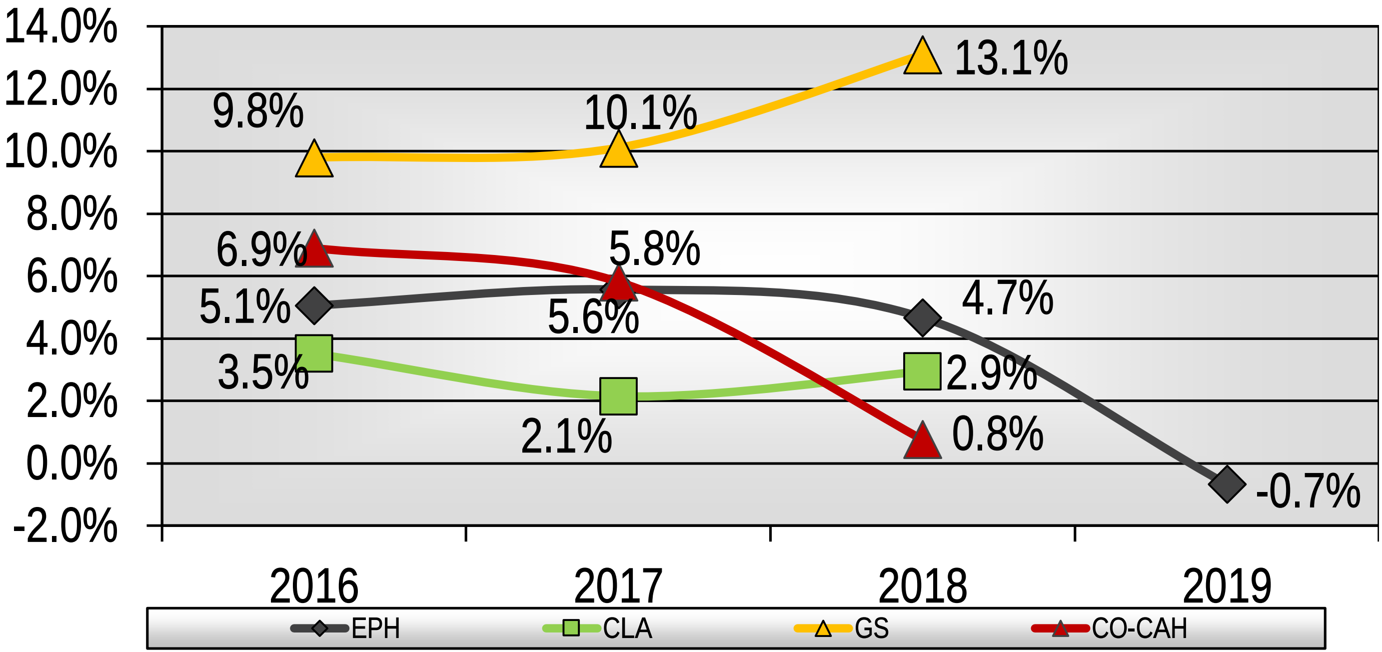
The ratio is operating income as a percentage of net patient service revenue plus other operating revenues. It is used to report the facility's returns on revenues which relate to the main purpose of operations.



Total Margin

Definition:

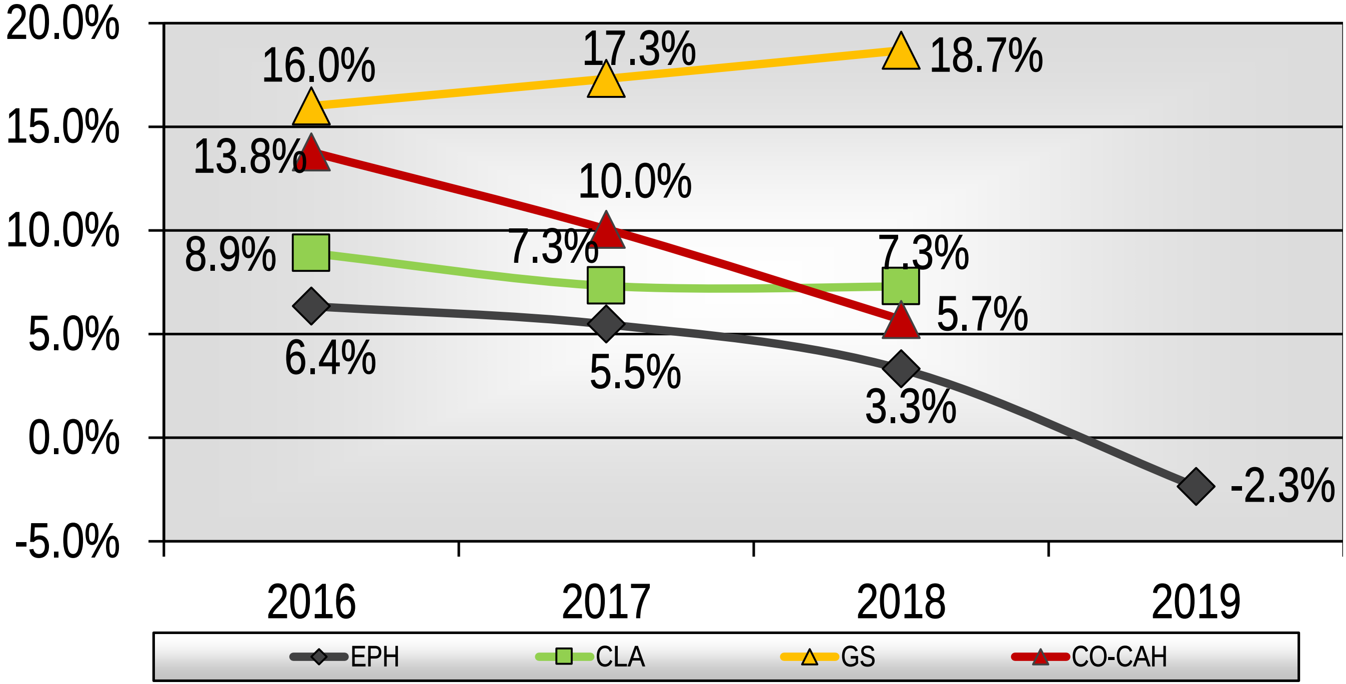
Total margin reflects excess of revenues over expenses as a percentage of total revenues, including non-operating revenues.



Operating EBIDA

Definition:

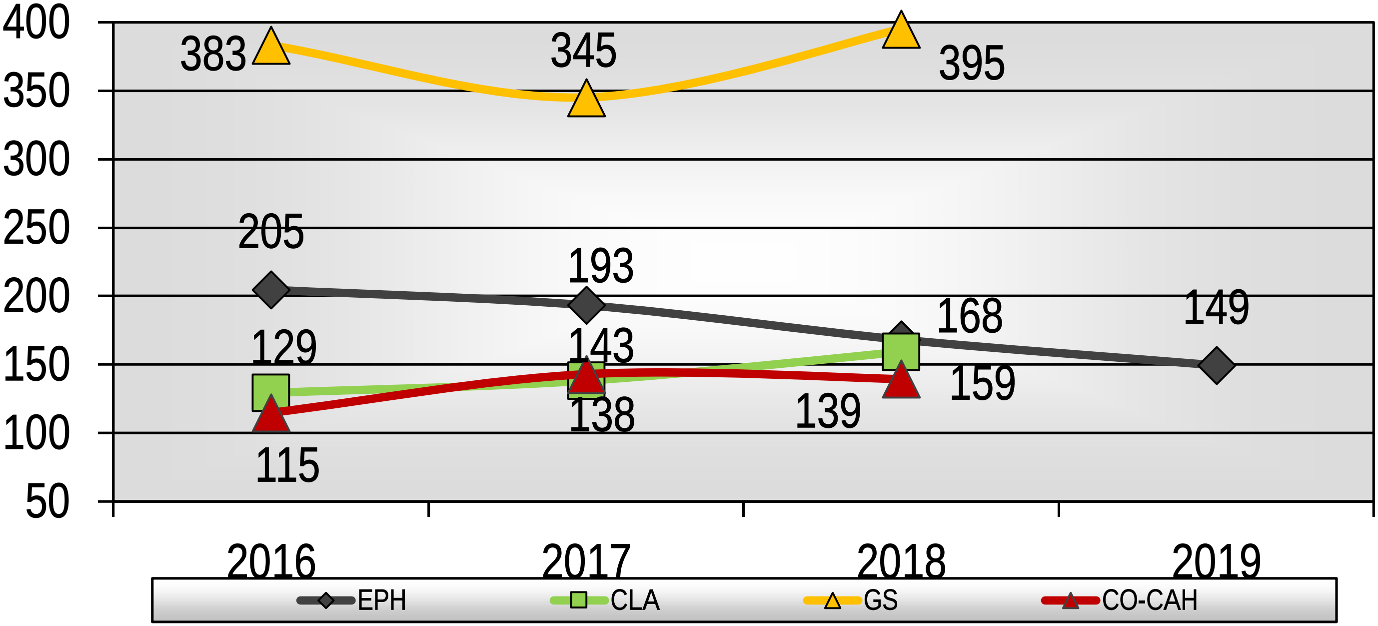
EBIDA represents Earnings (excess (deficit) of revenue over expenses) Before Interest, Depreciation, and Amortization divided by total revenues. This ratio is often used when evaluating debt capacity.



Days Cash on Hand (All Sources)

Definition:

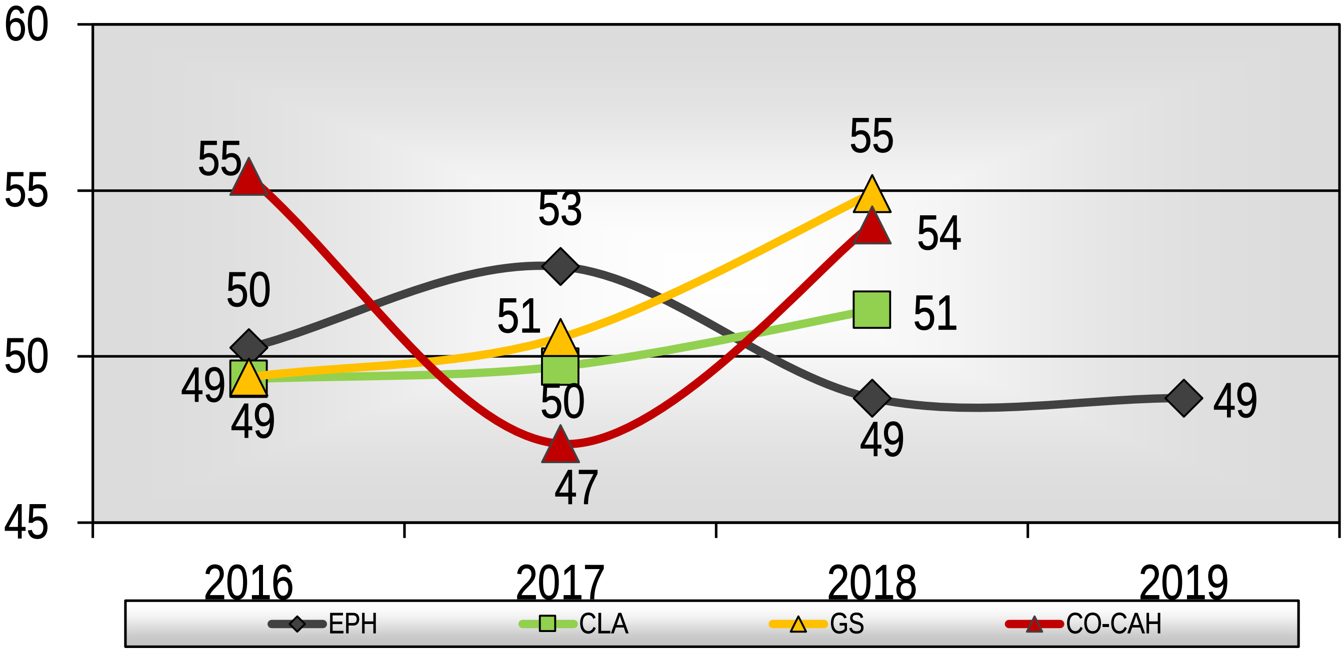
Days Cash on Hand measures the number of days of average cash expenses that the facility maintains in cash and amounts reserved for capital improvements. High values usually imply a greater ability to meet both short-term obligations and long-term capital replacement needs.



Net Days in Accounts Receivable

Definition:

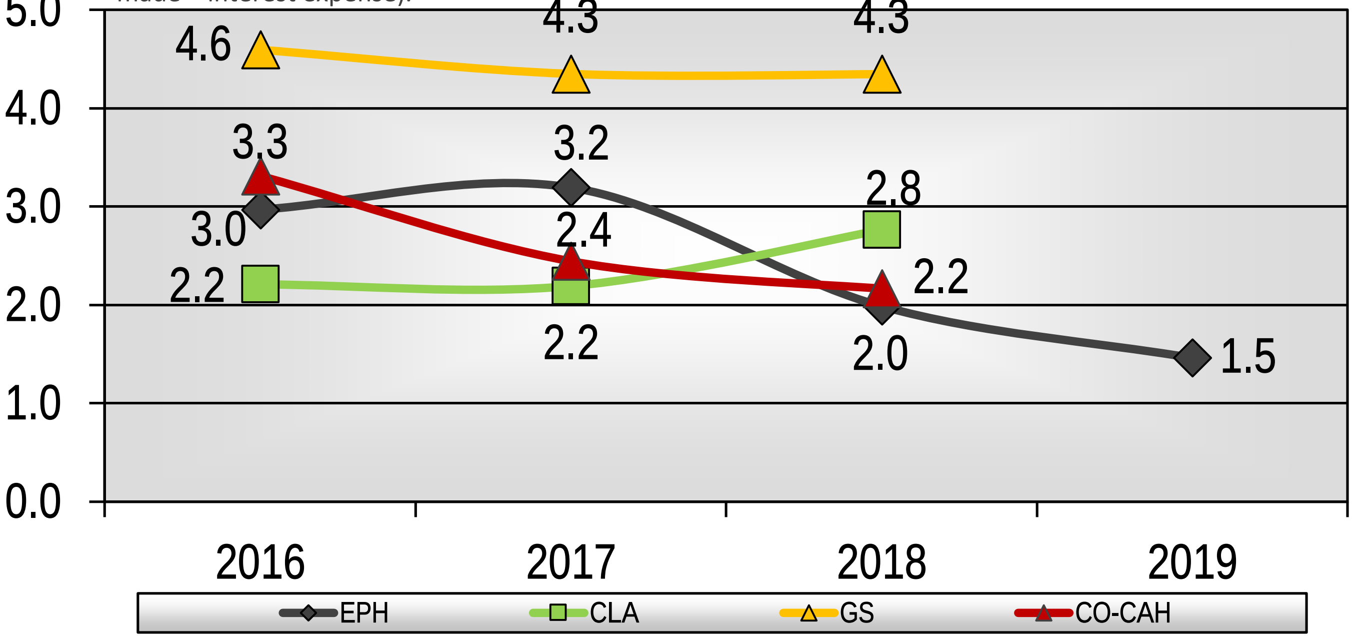
Days in patient accounts receivable is defined as the average time that receivables are outstanding, or the average collection period.



Debt Service Coverage Ratio

Definition:

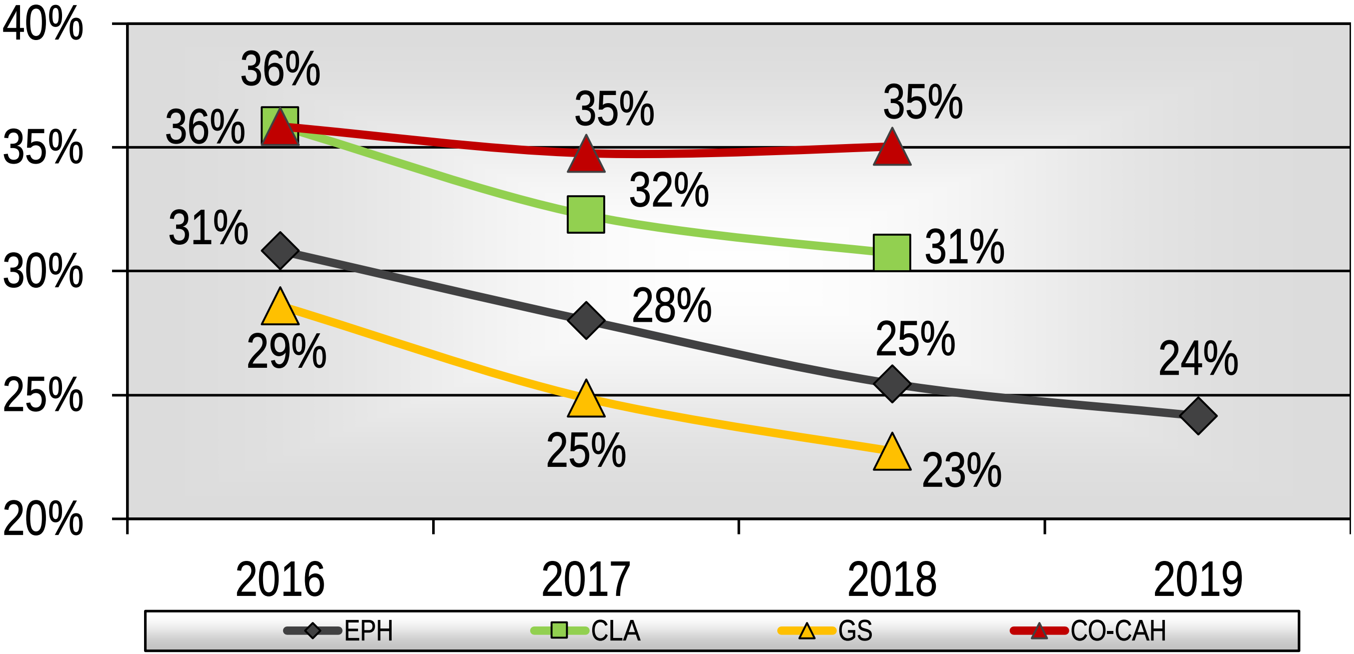
Debt service coverage is calculated as income available for debt services (net income + depreciation and amortization + interest expense) divided by the annual debt service requirements (principal payments made + interest expense).



Debt to Capitalization

Definition:

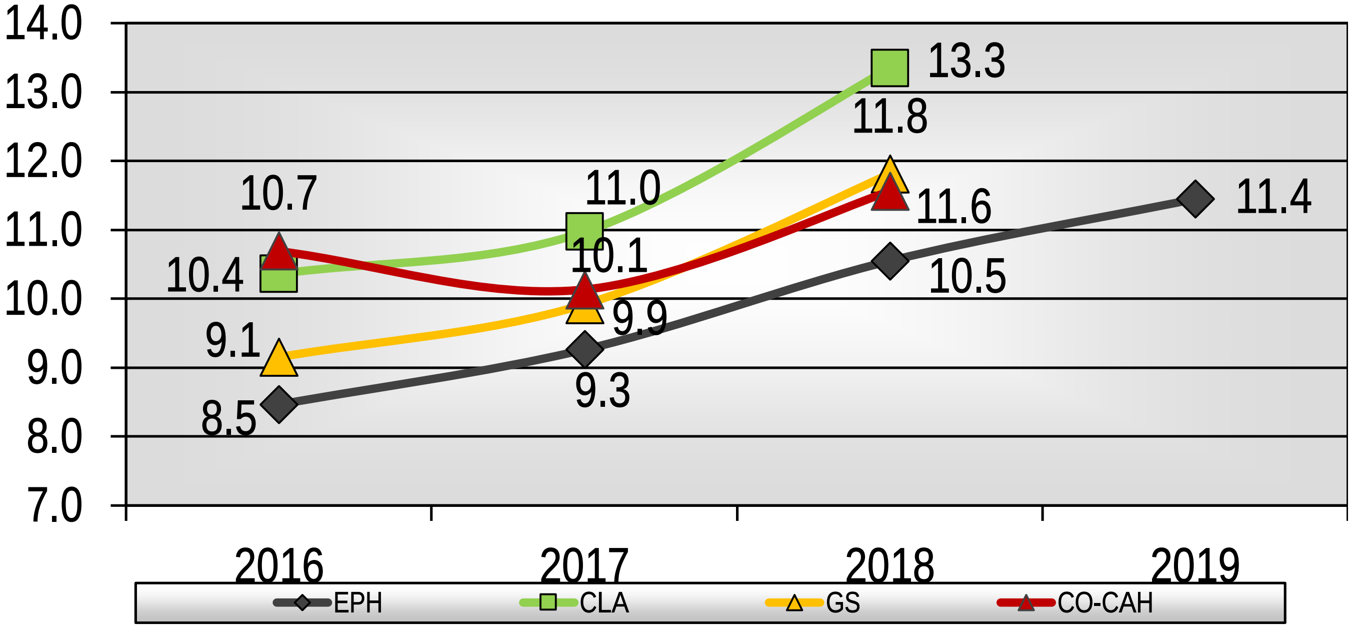
This ratio is defined as the proportion of long-term debt divided by long-term debt plus total net assets. Higher values for this ratio imply a greater reliance on debt financing and may imply reduced ability to carry additional debt.



Average Age of Plant

Definition:

Average age of plant attempts to approximate the average age of an organization's fixed assets. A low value is considered to be desirable as it indicates a newer facility.



Understanding Your Industry: 2019 Health Policy Outlook

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Azar's Top Priorities as Leader of HHS

- Sky rocketing drug prices
- Health care affordability and availability
- **Shifting Medicare to paying for health and outcomes**
- Tackling the opioid epidemic

Additional Goals

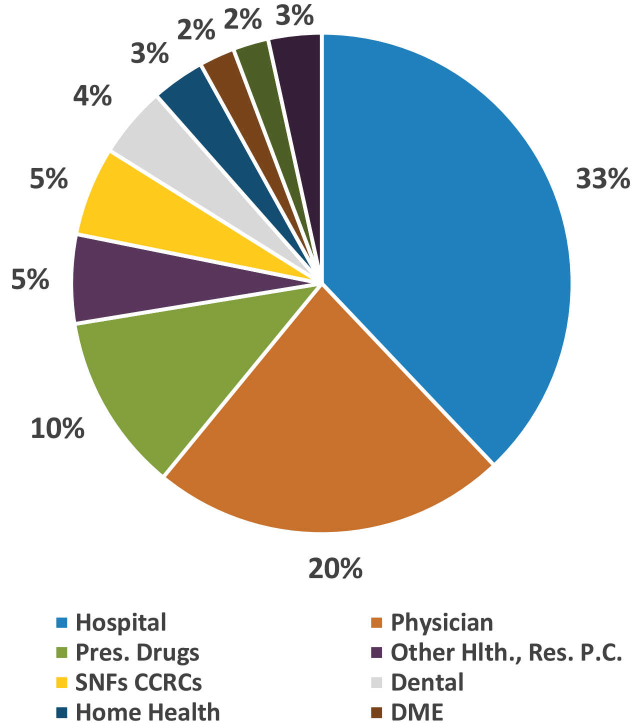
- Increasing interoperability and accessibility of health care information
- Increasing transparency
- Reducing regulatory burden, increasing flexibility
- Bringing patients into equation

As Secretary of HHS, Azar is a guiding force over various health care agencies, including:
CMS, CMMI, CDC, NIH, FDA…

Nat'l Health Expenditures Continue to Rise *

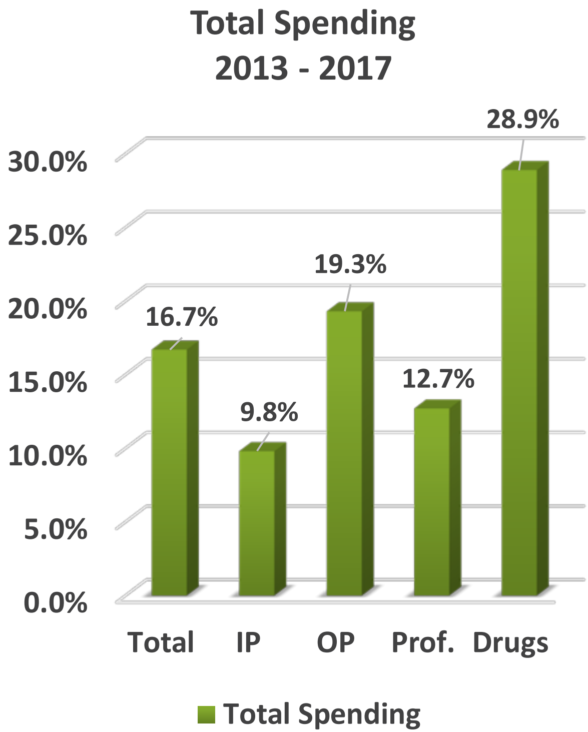
- In 2017, U.S. Health Care spending grew 3.9%, reaching $3.5 Trillion
- Spending Increase by Service Type:
  - Hospital Care 4.6%
  - Physician & Clinical Services 4.2%
  - Retail Prescription Drug .4%
  - Other Health, Residential & Personal Care 5.6%
  - Nursing Care Facilities and CCRC's 2.0%
  - Dental Services 3.2%
  - Home Health 4.3%
  - Other Professional Services 4.6%
  - Non-Durable Medical Products 2.2%
  - Durable Medical Equipment 6.8%

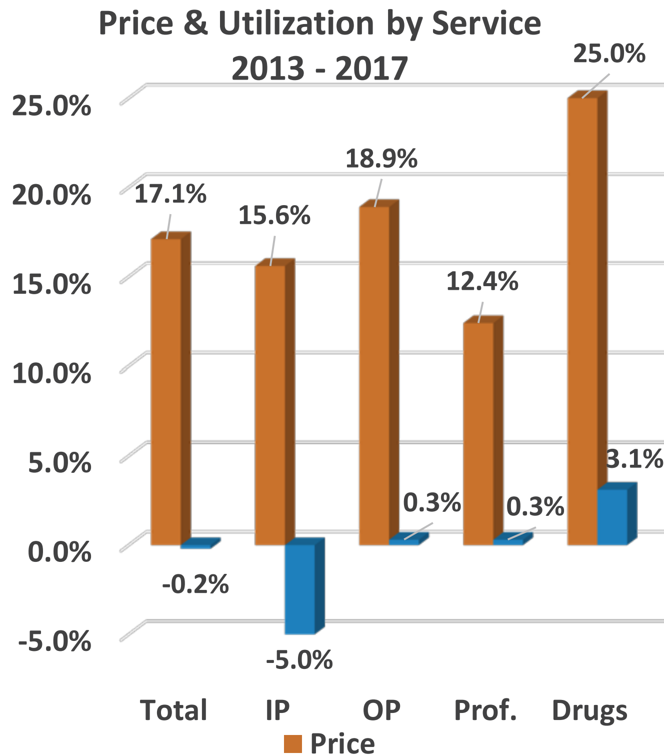
2017 Distribution of Health Care Spending



** Source: National Health Care Expenditures 2017 Fact Sheet released by The CMS on 4/26/19; https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet.html*

Price Drives Aggregate Spending Increase*

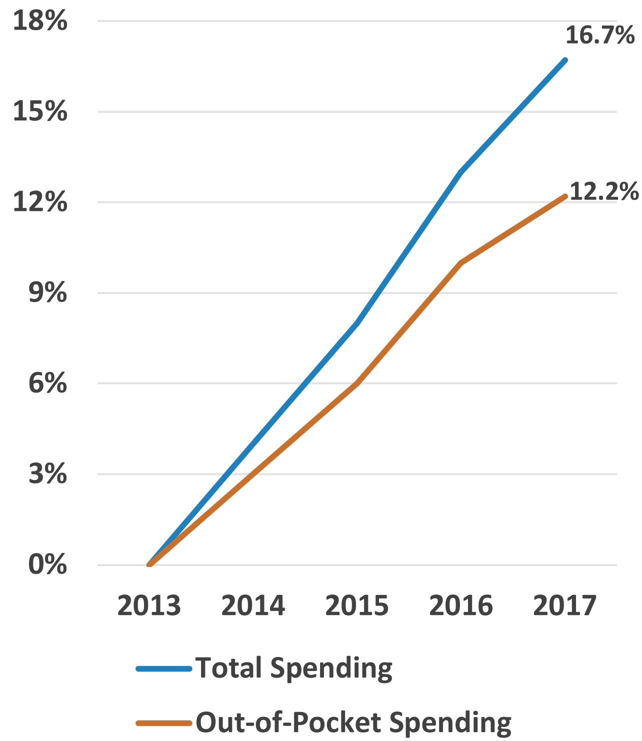




** Source: Health Care Cost Institute 2017 Annual Health Care Cost and Utilization Report; an analysis of spending, price, and utilization for individuals under 65 covered by employer-sponsored insurance (ESI). Dated February 2019*

Out-of-Pocket Spending on the Rise*

- The graphic at right depicts the cumulative increase in total spending and out-of-pocket spending for the time period of 2013-2017.
- As reflected, consumers have felt the bulk of the increase in spending over the past 5 years, bearing cumulative increases of just over 12%.
- This increase does not include the increasing costs of ESI, which according to Kaiser Family Foundation rose at a rate of 14% for single coverage and 15% for family coverage during the same time period.
- Regardless of the reason, escalation of OOP along with increasing premiums will ultimately drive consumerism in health care.

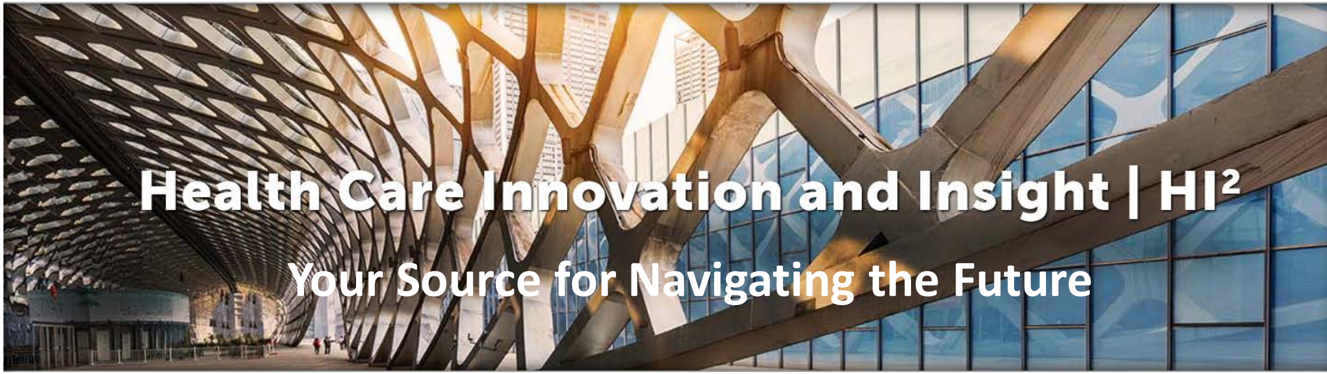


*** Source: Health Care Cost Institute 2017 Annual Health Care Cost and Utilization Report; an analysis of spending, price, and utilization for individuals under 65 covered by employer-sponsored insurance (ESI). Dated February 2019***

CMS Rural Health Strategy *Objectives*

1. Apply a rural lens to CMS programs and policies
2. Improve access to care through provider engagement and support
3. Advance telehealth and telemedicine
4. Empower patients in rural communities to make decisions about their healthcare
5. Leverage partnerships to achieve the goals of the CMS Rural Health Strategy

https://www.cms.gov/About-CMS/Agency-Information/OMH/Downloads/Rural-Strategy-2018.pdf



Health Care Innovation and Insight | HI²

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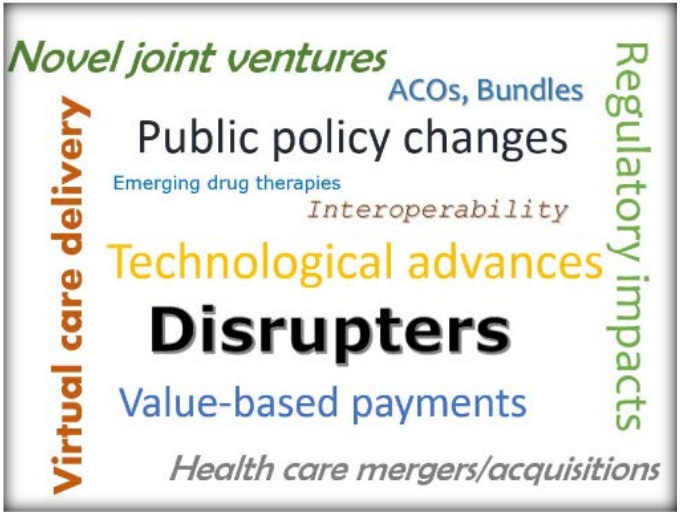

Do any of these changes concern you? Excite you? Grab your attention? They should! These topics and many others are what CLA's newest blog, HI2, will be focusing on → the ongoing disruption and innovations in health care.

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Accounting Industry Update: New Accounting Standards

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New Accounting Standards

Topic	Communication
Leases – GASB 87	1. Addresses accounting and financial reporting for leases by state and local governments. 2. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. 3. Requires the recognition of certain right to use lease assets and related liabilities for leases that were previously classified as operating leases. 4. Effective for years beginning after December 15, 2019, with earlier applications permitted.

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Item 4.1

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2019 AND 2018

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
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YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Park Hospital District
dba: Estes Park Health
Estes Park, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Park Hospital District dba: Estes Park Health (the District), which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows, and the statements of financial position and related statements of activities of its discretely presented component unit Estes Park Health Foundation, for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Board of Directors
Park Hospital District
dba: Estes Park Health

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Park Hospital District dba: Estes Park Health and of its discretely presented component unit Estes Park Health Foundation as of December 31, 2019 and 2018, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the budgeted and actual revenues and expenses on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Denver, Colorado
April 27, 2020

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019 AND 2018

INTRODUCTION

This management's discussion and analysis of Park Hospital District dba: Estes Park Health (the District) provides an overview of the District's financial activities for the years ended December 31, 2019 and 2018. It should be read in conjunction with the accompanying financial statements of the District, which begin on page 9.

USING THIS ANNUAL REPORT

The District's financial statements consist of three statements: a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as business-type activities and present their financial statements using the economic resources measurement focus and the accrual basis of accounting. The Foundation's financial statements consist of a statement of financial position and a statement of activities. The Foundation information is not included in management's discussion and analysis.

FINANCIAL HIGHLIGHTS

- The District's cash and noncurrent cash and investments decreased in 2019 by $1,460,517, or 7%, compared to a decrease of $417,587, or 2%, in 2018.
- Net position decreased $248,038 in 2019 compared to an increase of $2,548,749 in 2018.
- Net operating revenues decreased by $247,990, or 0.5%, in 2019, compared to an increase of $4,675,537, or 10%, in 2018.
- Operating expenses increased by $2,550,070, or 5%, in 2019, and $5,221,287, or 12%, in 2018.
- Nonoperating revenues (expenses) decreased by $9,240 in 2019 compared to an increase of $348,617 in 2018.

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

One of the most important questions asked about any organization's finances is, "Is the organization as a whole better or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information about the Districts' resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)

These two statements report the District's net position and changes in it. The District's total net position—the difference between assets and liabilities—is one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether their financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the District's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors, should also be considered to assess the overall financial health of the District.

THE STATEMENT OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operations, noncapital financing activities, capital and related financing activities, and investing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets and liabilities reported in the statements of net position. The District's net position decreased $248,038 (1%) in 2019 and increased $2,548,749 (6%) in 2018 as shown in Table 1.

TABLE 1: ASSETS, LIABILITIES, AND NET POSITION

	2019	2018	2017
ASSETS AND DEFERRED OUTFLOWS			
Cash and Cash Equivalents	$ 18,703,367	$ 13,272,797	$ 10,006,606
Patient and Resident Accounts Receivable, Net	6,455,682	6,470,014	6,294,121
Other Current Assets	6,478,394	5,799,168	5,803,693
Capital Assets, Net	31,746,460	29,628,676	30,009,464
Long-Term Investments	2,014,341	8,905,428	12,589,206
Other Noncurrent Assets	285,184	325,000	337,391
Total Assets	$ 65,683,428	$ 64,401,083	$ 65,040,481
LIABILITIES			
Current Liabilities	$ 5,948,560	$ 4,507,317	$ 6,665,665
Long-Term Liabilities	14,240,513	14,545,000	15,585,000
Total Liabilities	20,189,073	19,052,317	22,250,665
Deferred Inflows - Property Taxes	3,119,724	2,726,097	2,715,896
NET POSITION			
Net Investment in Capital Assets	18,261,460	15,083,676	13,389,544
Restricted Expendable	1,412,536	1,403,206	1,402,013
Unrestricted	22,700,635	26,135,787	25,282,363
Total Net Position	42,374,631	42,622,669	40,073,920
Total Liabilities, Deferred Inflows, and Net Positio	$ 65,683,428	$ 64,401,083	$ 65,040,481

THE DISTRICT'S ASSETS AND LIABILITIES

The most noteworthy changes in 2019 to the District's statement of net position are the increases in capital assets and current liabilities, along with decreases in total cash and investments. The statement of net position shows that total cash and investments decreased $1,460,517 between 2018 and 2019. A decline in the operating loss was the primary driver of the decrease in current cash and investments in 2019 along with an increase in capital expenditures. Net capital assets experienced an increase of $2,117,784 between 2018 and 2019 as a result of fixed asset additions in the current year being offset by continued depreciation on the assets that have been placed in service. Current liabilities increased in 2019 primarily as a result of timing of payments being made.

The most noteworthy changes in 2018 to the District's statement of net position are the increases in net patient and resident accounts receivable, along with decreases in total cash and investments, capital assets, current liabilities, and long-term debt. The statement of net position shows that total cash and investments decreased $417,587 between 2017 and 2018. A decline in operating income (loss) was the primary driver of the decrease in current cash and investments in 2018. Net patient and resident accounts receivable increased as a result of an increase in net patient and resident revenues in fiscal year 2018. Net capital assets experienced a decrease of $380,788 between 2017 and 2018 as a result of fixed asset additions in the current year being offset by continued depreciation on the assets that have been placed in service. Current liabilities decreased in 2018 primarily as a result of timing of payments being made. Long-term debt decreased in 2018 as a result of the Districts continuing to make principal payments on the outstanding long-term debt. The District made both the 2018 and the 2019 principal payments on the long-term debt during fiscal year 2018.

OPERATING RESULTS AND CHANGES IN DISTRICT'S NET POSITION

In 2019 the District's net position decreased by $248,038 while in 2018 it increased by $2,548,749. See Table 2 for the operating results and changes in net position.

OPERATING RESULTS AND CHANGES IN DISTRICT'S NET POSITION (CONTINUED)

TABLE 2: OPERATING RESULTS AND CHANGES IN NET POSITION

	2019	2018	2017
OPERATING REVENUES			
Net Patient and Resident Service Revenues	$ 48,337,074	$ 48,444,063	$ 43,578,483
Other Operating Revenues	727,677	868,678	1,058,721
Total Operating Revenues	49,064,751	49,312,741	44,637,204
OPERATING EXPENSES			
Salaries and Employee Benefits	28,516,716	26,722,743	24,946,789
Purchased Services and Professional Fees	11,797,929	10,902,501	8,459,130
Supplies and Other	9,898,447	10,050,079	8,786,721
Depreciation	2,081,218	2,068,917	2,330,313
Total Operating Expenses	52,294,310	49,744,240	44,522,953
OPERATING GAIN (LOSS)	(3,229,559)	(431,499)	114,251
NONOPERATING REVENUES AND EXPENSES			
Property Taxes	2,896,027	2,890,593	2,725,660
Investment Income	334,928	256,522	145,314
Interest Expense	(395,453)	(409,376)	(432,885)
Other Nonoperating Revenues and Expenses, Net	43,924	150,927	101,960
Net Nonoperating Revenues	2,879,426	2,888,666	2,540,049
EXCESS (DEFICIT) OF REVENUES OVER EXPENS	(350,133)	2,457,167	2,654,300
CAPITAL GRANTS	102,095	91,582	108,196
INCREASE (DECREASE) IN NET POSITION	$ (248,038)	$ 2,548,749	$ 2,762,496

OPERATING GAIN (LOSS)

The first component of the overall change in the District's net position is its operating gain (loss), which is the difference between net patient and resident service revenue and the expenses incurred to perform those services. In 2019, the District reported an operating loss of $3,229,559, which is an increase from the operating loss reporting in 2018. The District's management and staff have worked together to ensure quality patient care while keeping rates to patients competitive with other hospitals, controlling expenses, and maintaining a strong financial position through investments, tax revenues, and grants and contributions.

Net patient and resident service revenue of $48.3 million in 2019 which is consistent with 2018 net patient and resident service revenue. Salaries and employee benefits increased in 2019 by $1,793,973 or 6.3%. This was driven by salary increases and staff and physician turnover. Purchased services and professional fees increased in 2019 by $895,428 as a result of additional programs, physician contract labor needs, and recruiting challenges.

OPERATING GAIN (LOSS) (CONTINUED)

The provision for bad debt in 2019 increased from 2018 by 58%. The increase in the provision for bad debt was primarily driven by a decrease in charity care provided in 2019 and a receivables cleanup effort in anticipation of the conversion to the Epic electronic medical record system. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was $1,784,000 and $1,474,000 for 2019 and 2018, respectively.

Net patient and resident service revenue of $48.4 million in 2018 represented a 10% increase over 2017. The District had an increase in outpatient procedures, which contributed to the increase in net patient and resident service revenues. Salaries and employee benefits increased in 2018 by $1,775,954 or 6.6%. This was driven by salary increases and turnover in physician staffing. Purchased services and professional fees increased in 2018 by $2,443,371 as a result of additional programs and staffing recruiting challenges. Supplies and other expenses increased in 2018 by $1,263,358 or 12.6%, as a result of increased patient volumes and an increase in pain management, wound care, and chemotherapy costs.

The provision for bad debt in 2018 decreased from 2017 by 60%. The decrease in the provision for bad debt was primarily driven by an increase in charity care provided in 2018. It is important to note that the allowance for self-pay accounts receivable, inclusive of bad debt reserve, was $1,474,000 and $1,474,000 for 2018 and 2017, respectively.

The District has policies established regarding the request of an initial deposit or payment for elective services, predicated on the expectation that bad debts and long-term accounts receivable will decline, thereby receiving cash flow and lower allowances. Further, the District has a financial assistance policy in place with a basis from the federal poverty guidelines. Discounts are offered for prompt payment of self-pay receivables.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues and expenses consist primarily of property tax revenue, investment income, and interest expense. Property tax revenues from the county increased 0.2% in 2019 and 6% in 2018. Revenues from investments increased by 23% for 2019 and 77% for 2018, due to the changing economic climate. Interest expense decreased 4% in 2019 and 6% in 2018 as a result of principal payments continuing to be made on outstanding long-term debt.

THE DISTRICTS' CASH FLOWS

The changes in the District's cash flows are consistent with changes in operating income and losses and nonoperating revenues and expenses, as discussed earlier.

CAPITAL ASSETS, NET

The District's capital assets, net of accumulated depreciation, increased from $29,628,676 in 2018 to $31,746,460 in 2019, as detailed in Note 6 to the financial statements. During 2019 and 2018, the District added capital assets of $4,199,002 and $1,707,108, respectively. Of the 2019 capital asset additions, $2,857,882 was related to the new electronic health record and accounting system implementation. This project was capitalized in the last part of fiscal year 2019.

LONG-TERM DEBT

At December 31, 2019 and 2018, the District had long-term debt (including current portion) of $13,485,000 and $14,545,000, respectively. The District did not issue any new debt during 2019. During 2018 the District did pay its capital lease obligation in full.

OTHER ECONOMIC FACTORS

The District operates in rural Colorado in Larimer County. This area is a resort destination, which generally relies on tourism. As a result, the community can be impacted by national economic and environmental trends.

CONTACTING THE DISTRICTS' FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money they receive. Questions about this report and requests for additional financial information should be directed to the District's executive office by telephoning 970-577-4470.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 18,703,367	$ 13,272,797
Restricted Cash Under Debt Agreement	1,412,536	1,403,206
Receivables:		
Patient and Resident, Net of Estimated Uncollectibles of Approximately $1,784,000 in 2019 and $1,474,000 in 2018, Respectively	6,455,682	6,470,014
Property Taxes and Other	3,288,957	2,870,617
Supplies	1,096,406	1,111,852
Prepaid Expenses	680,495	413,493
Total Current Assets	31,637,443	25,541,979
LONG-TERM INVESTMENTS	2,014,341	8,905,428
CAPITAL ASSETS		
Capital Assets Not Being Depreciated	1,331,948	1,174,761
Depreciable Capital Assets, Net of Accumulated Depreciation	30,414,512	28,453,915
Total Capital Assets, Net	31,746,460	29,628,676
LONG-TERM PREPAID LEASE	285,184	325,000
Total Assets	$ 65,683,428	$ 64,401,083

See accompanying Notes to Financial Statements.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2019 AND 2018

	2019	2018
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	$ 2,250,218	$ 1,215,050
Estimated Third-Party Payor Settlements	829,000	869,000
Accrued Expenses:		
Salaries, Wages, and Related Liabilities	1,683,574	1,351,015
Compensated Absences	1,102,158	991,689
Other	83,610	80,563
Total Current Liabilities	5,948,560	4,507,317
LONG-TERM LIABILITIES		
Long-Term Debt	13,485,000	14,545,000
Long-Term Portion of Accounts Payable	755,513	-
Total Long-Term Liabilities	14,240,513	14,545,000
Total Liabilities	20,189,073	19,052,317
DEFERRED INFLOWS OF RESOURCES - PROPERTY TAXES	3,119,724	2,726,097
NET POSITION		
Net Investment in Capital Assets	18,261,460	15,083,676
Restricted, Expendable	1,412,536	1,403,206
Unrestricted	22,700,635	26,135,787
Total Net Position	42,374,631	42,622,669
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 65,683,428	$ 64,401,083

See accompanying Notes to Financial Statements.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
ESTES PARK HEALTH FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 528,911	$ 540,260
Promises to Give, Short-Term	8,002	100
Other Receivables	5,230	8,612
Prepaid Expenses	1,236	1,293
Total Current Assets	543,379	550,265
OTHER ASSETS		
Investments	3,385,094	2,610,067
Charitable Remainder Unitrust Receivable	81,131	70,396
Net Promises to Give, Long-Term	9,727	5,325
Total Other Assets	3,475,952	2,685,788
Total Assets	$ 4,019,331	$ 3,236,053
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 68	$ 298
Accrued Expenses	23,077	46,203
Total Current Liabilities	23,145	46,501
NET ASSETS		
Net Assets without Donor Restrictions	1,041,584	631,415
Net Assets with Donor Restrictions	2,954,602	2,558,137
Total Net Assets	3,996,186	3,189,552
Total Liabilities and Net Assets	$ 4,019,331	$ 3,236,053

See accompanying Notes to Financial Statements.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUE		
Net Patient and Resident Service Revenue, Net of Provision for Bad Debts of approximately $1,130,000 in 2019 and $715,000 in 2018, Respectively	$ 48,337,074	$ 48,444,063
Other Revenue	727,677	868,678
Total Operating Revenue	49,064,751	49,312,741
OPERATING EXPENSES		
Salaries and Wages	22,868,648	20,941,930
Employee Benefits	5,648,068	5,780,813
Professional Fees and Purchased Services	11,797,929	10,902,501
Supplies	5,964,403	5,715,814
Utilities	583,846	550,420
Leases and Rentals	401,423	318,845
Insurance	305,411	292,015
Repairs and Maintenance	150,314	252,549
Depreciation	2,081,218	2,068,917
Other	2,493,050	2,920,436
Total Operating Expenses	52,294,310	49,744,240
OPERATING LOSS	(3,229,559)	(431,499)
NONOPERATING REVENUES (EXPENSES)		
Property Tax Revenues	2,896,027	2,890,593
Interest Expense	(395,453)	(409,376)
Investment Income	334,928	256,522
Gain (Loss) on Disposal of Capital Assets	8,500	(9,979)
Noncapital Grants and Contributions	23,021	165,241
Other	12,403	(4,335)
Total Nonoperating Revenues, Net	2,879,426	2,888,666
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES BEFORE CAPITAL CONTRIBUTIONS	(350,133)	2,457,167
Capital Contributions	102,095	91,582
INCREASE (DECREASE) IN NET POSITION	(248,038)	2,548,749
Net Position - Beginning of Year	42,622,669	40,073,920
NET POSITION - END OF YEAR	$ 42,374,631	$ 42,622,669

See accompanying Notes to Financial Statements.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
ESTES PARK HEALTH FOUNDATION
DISCRETELY PRESENTED COMPONENT UNIT
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUES, GAINS, AND OTHER SUPPORT WITHOUT RESTRICTIONS		
Contributions	$ 134,371	$ 200,008
Investment Income (Loss), Net	263,595	(44,427)
Net Assets Released from Restriction	420,800	199,414
Total Revenues, Gains, and Other Support without Restrictions	818,766	354,995
EXPENSES		
Grants and Contributions to Estes Park Medical Center:		
Capital Assets	61,240	273,180
Salaries and Benefits	260,212	222,763
Advertising and Marketing	32,876	14,609
Office Expenses	10,146	17,168
Professional Fees	28,306	17,886
Contracted Services	5,072	18,148
Insurance	2,511	2,437
Travel and Meetings	8,234	2,767
Total Expenses	408,597	568,958
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	410,169	(213,963)
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	457,704	158,481
Restricted Investment Income (Loss)	359,561	(79,328)
Net Assets Released from Restriction	(420,800)	(199,414)
Increase (Decrease) in Net Assets with Donor Restrictions	396,465	(120,261)
CHANGE IN NET ASSETS	806,634	(334,224)
Net Assets - Beginning of Year	3,189,552	3,523,776
NET ASSETS - END OF YEAR	$ 3,996,186	$ 3,189,552

See accompanying Notes to Financial Statements.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients and Residents	$ 48,311,406	$ 48,209,170
Payments to Suppliers and Contractors	(21,375,786)	(21,380,216)
Payments for Employee Salaries and Benefits	(28,070,641)	(27,062,979)
Other Receipts and Payments	712,187	882,099
Net Cash Provided (Used) by Operating Activities	(422,834)	648,074
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes Supporting Operations	2,886,804	2,895,136
Noncapital Grants and Contributions	23,021	165,241
Net Cash Provided by Noncapital Financing Activities	2,909,825	3,060,377
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase and Construction of Capital Assets	(2,940,651)	(1,776,918)
Proceeds from Disposal of Capital Assets	8,500	9,000
Principal Payments on Long-Term Debt	(1,060,000)	(2,074,920)
Interest Paid on Long-Term Debt	(395,453)	(620,052)
Capital Contributions	102,095	91,582
Net Cash Used by Capital and Related Financing Activities	(4,285,509)	(4,371,308)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	6,891,087	3,649,586
Investment Income and Other	347,331	252,187
Net Cash Provided by Investing Activities	7,238,418	3,901,773
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,439,900	3,238,916
Cash and Cash Equivalents - Beginning of Year	14,676,003	11,437,087
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 20,115,903	$ 14,676,003

See accompanying Notes to Financial Statements.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENTS OF NET POSITION		
Cash and Cash Equivalents	$ 18,703,367	$ 13,272,797
Restricted Cash Under Debt Agreement	1,412,536	1,403,206
Total Cash and Cash Equivalents	$ 20,115,903	$ 14,676,003
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	$ (3,229,559)	$ (431,499)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	2,081,218	2,068,917
Provision for Bad Debts	1,130,251	714,907
(Increase) Decrease in Assets:		
Patient and Resident Receivables	(1,115,919)	(890,800)
Other Receivables	(15,490)	13,421
Supplies	15,446	(68,636)
Prepaid Expenses	(267,002)	84,706
Long-Term Prepaid Lease	39,816	-
Increase (Decrease) in Liabilities:		
Accounts Payable	532,330	(443,706)
Estimated Third-Party Payor Settlements	(40,000)	(59,000)
Accrued Salaries, Compensated Absences, and Other	446,075	(340,236)
Net Cash Provided (Used) by Operating Activities	$ (422,834)	$ 648,074
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Capital Assets Included in Accounts Payable	$ 1,258,351	$ -

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Reporting Entities

The financial statements of Park Hospital District dba: Estes Park Health (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the District are described below.

The District operates a 23-bed acute care facility (Hospital); the Prospect Park Nursing Facility (Nursing Facility), a 52-bed skilled nursing facility; and the Physician Clinic (Clinic) located in Estes Park, Colorado. The District is organized as a political subdivision of the State of Colorado and has been recognized by the Internal Revenue Service as exempt from federal income taxes under Internal Revenue Code Section 501(a). The District is governed by a board of directors consisting of five members elected by residents of Park Hospital District. The District is not a component unit of another governmental entity.

For financial reporting purposes, the District is reported separately from the Estes Park Health Foundation (the Foundation). The Foundation is a 501(c)(3) organization whose sole purpose is to support the District and is reported as a discretely presented component unit of the District. Estes Park Health Foundation conducts fundraising campaigns on behalf of the District. The Foundation's individual financial statements can be obtained from management of the Foundation.

During fiscal year 2018 the Park Hospital District updated its trade name which it does business under from Estes Park Medical Center to Estes Park Health. The financial statements have been updated for this change.

Standards of Accounting and Financial Reporting

The accompanying financial statements have been presented in conformity with accounting principles generally accepted in the United States of America in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, health care entities, and other pronouncements applicable to health care organizations and guidance from the GASB, where applicable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The net position of the District is classified in three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by any outstanding balances of borrowings used to finance the purchase or construction of those assets. *Restricted expendable net position* is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. Restricted net assets are reduced by any liabilities payable from restricted assets. *Unrestricted net position* is the remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For the purposes of the statement of cash flows, the District considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Patient and Resident Accounts Receivable, Net

The District reports patient and resident accounts receivable for services rendered at net realizable amounts from third-party payors, patients, residents and others. The District provides an allowance for bad debts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As a service to the patient and residents, the District bills third-party payors directly and bills the patient or resident when the patient or resident's liability is determined. Patient and residents are not required to provide collateral for services rendered. Patient and resident accounts receivable are ordinarily due in full when billed. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the patient, resident or third-party payor. In addition, an allowance is estimated for other accounts based on historical experience of the District. At December 31, 2019 and 2018, the allowance for uncollectible accounts was approximately $1,784,000 and $1,474,000, respectively.

Property Tax Receivable and Revenue

Property tax receivable is recognized on the lien date, which is January 1 of the tax year in Colorado. The property tax receivable represents taxes certified by the board of directors to be collected in the next fiscal year. However, by statute, the tax asking becomes effective on the first day of the following year. Although the property tax receivables has been recorded, the related revenue is considered a deferred inflow of resources – unavailable revenue and will not be recognized as revenue until the year for which it has been levied.

Lien date	-	January 1
Levy date	-	January 1, succeeding year
Due dates	-	February 28 and June 15, succeeding year

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out basis, or net realizable value.

Noncurrent Cash and Investments

Noncurrent cash and investments includes long-term investments, internally designated investments which are set asides by the board of directors for future capital improvements, over which the board retains control and may at its discretion subsequently use for other purposes, and cash and investments restricted by donors. Investments are measured at fair value.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Capital Assets, Net

Capital asset acquisitions in excess of $5,000 are capitalized at cost at the date of acquisition or fair value at the date of donation, if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the District:

	Years
Land Improvements	8 to 40
Buildings and Leasehold Improvements	5 to 40
Equipment	2 to 25

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from excess (deficit) of revenue over expenses before capital contributions. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net positon.

Compensated Absences

The District's policies permit most employees to accumulate paid time-off benefits. Expense and the related liability are recognized as benefits when earned. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimated Health Claims Payable

The District provides for self-funded insurance reserves for estimated incurred but not reported claims for its employee health plan. These reserves, which are included in salaries, wages, and related liabilities on the statements of net position, are estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of unavailable property taxes. The property taxes will be recognized as revenue in the year for which the taxes have been levied and become available.

Net Patient and Resident Service Revenue

Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The District provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the District does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient and resident service revenue. Charges excluded from revenue under the District's charity care policy were approximately $813,000 and $1,114,000 for 2019 and 2018, respectively.

Grants and Contributions

From time to time, the District receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after excess (defit) of revenues over expenses before capital contributions.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Nonexchange revenues, including taxes, interest expense, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

Income Taxes

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

Advertising Costs

The District expenses advertising costs as incurred.

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value. GASB Statement No. 72 – *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the District 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.

NOTE 2 TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the state constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments.

The District's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes enterprises from its provisions. Enterprises are defined as government-owned businesses authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined. The District is of the opinion that its operations qualify for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE

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

Hospital and Clinic

Medicare

The District has elected the Critical Access Hospital (CAH) designation. As a Critical Access Hospital, inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost-reimbursed basis and inpatient nonacute services and outpatient services are reimbursed on a cost basis. The District is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through December 31, 2017. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Through October 31, 2016, inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicaid beneficiaries were paid based on a cost-reimbursement methodology. The District is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have settled through the year ended October 31, 2016. On November 1, 2016, the Medicaid program begain reimbursing inpatient nonacute services and certain outpatient services using a prospective payment methodology.

In 2012, the state of Colorado adopted a provider fee program, approved by the Centers for Medicare and Medicaid Services (CMS), under which all hospitals in the state were assessed a fee. The inpatient fee is based on a rate for managed care and nonmanaged care days for the reporting period and the outpatient fee is based on a percentage of total outpatient charges. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal funds into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. Beginning with the state fiscal year ended June 30, 2011, funding received in excess of costs to provide these services to Medicaid and uninsured patients may be refunded. As of December 31, 2019 and 2018, the District has recorded a reserve of $350,000, for the estimated portion of funding received in excess of costs. It is reasonably possible that this estimate could materially change in the near term.

NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)

Other

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

Uninsured

The District provides healthcare services to patients who have not purchased commercial healthcare insurance coverage and do not qualify as beneficiaries of the Medicare and Medicaid programs. Based upon financial information obtained, some of these patients qualify for discounts from charges under the District's charity care policy.

Nursing Facility

Medicare

The Nursing Facility participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS). The Nursing Facility is paid under the Medicare Prospective Payment System (PPS) for residents who are Medicare Part A eligible and meet the coverage guidelines for skilled nursing facility services (SNFs). The PPS is a per diem price-based system. Annual cost reports are required to be submitted to the designated Medicare Administrative Contractor; however, they do not contain a cost settlement. CMS recently finalized the Patient Driven Payment Model (PDPM) to replace the existing Medicare reimbursement system effective October 1, 2019. Under PDPM, therapy minutes are removed as the primary basis for payment and instead uses the underlying complexity and clinical needs of a patient as a basis for reimbursement. In addition, PDPM introduces variable adjustment factors that change reimbursement rates during the resident's length of stay.

Medicaid

The Nursing Facility participates in the Medicaid program administered by the Colorado Department of Health Care Financing and Policy. The Medicaid rates are established prospectively: based on the facility's annual cost report; subject to limitations for the health care related services; administration is based on a price; and the capital component is based on the fair rental allowance system. The direct health care related services component is adjusted quarterly, based on the facility's resident acuity.

NOTE 3 NET PATIENT AND RESIDENT SERVICE REVENUE (CONTINUED)

Concentrations of gross revenue by major payor accounted for the following percentages of the District's patient and resident revenues for the years ended December 31, 2019 and 2018:

	2019	2018
Medicare	43 %	48 %
Medicaid	12	14
Other Third Party	43	35
Self Pay	2	3
Total	100 %	100 %

Laws and regulations governing the Medicare, Medicaid and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient and resident service revenue increased approximately $617,000 and $241,000 for the years ended December 31, 2019 and 2018, respectively, due to change in the allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, review, and investigations.

The following is a reconciliation of gross patient and resident service revenue to net patient and resident service revenue for the years ending December 31, 2019 and 2018:

	2019	2018
Gross Patient and Resident Service Revenue	$ 91,195,541	$ 90,001,176
Less Charity Care	(812,791)	(1,114,125)
Total Patient and Resident Service Revenue	90,382,750	88,887,051
Contractual Adjustments		
Medicare	(23,610,172)	(22,727,395)
Medicaid	(7,661,893)	(8,351,409)
Blue Cross Blue Shield	(986,647)	(904,092)
Other	(8,656,713)	(7,745,185)
Provision for Bad Debts	(1,130,251)	(714,907)
Total Contractual Adjustments and Provision for Bad Debts	(42,045,676)	(40,442,988)
Net Patient and Resident Service Revenue	$ 48,337,074	$ 48,444,063

NOTE 4 PATIENT AND RESIDENT ACCOUNTS RECEIVABLE, NET

The District grants credit without collateral to their patients and residents, most of who are area residents and are insured under third-party payor agreements. Concentrations of patient and resident accounts receivable at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Medicare	29 %	39 %
Medicaid	8	9
Other Third Party	45	34
Self Pay	18	18
Total	100 %	100 %

NOTE 5 DEPOSITS AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissioners for bank and financial services are required by statute to monitor the naming of eligible depositories and reporting of uninsured deposits and assets maintained in collateral pools.

The District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in-bank repurchase agreements. It may also invest to a limited extent in corporate bonds.

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At December 31, 2019 and 2018, the District had the following investments and maturities:

			December 31, 2019			
Type	Fair Value	Rating	Less than 1	1-5	6-10	More than 10
Certificates of Deposit	$ 757,615	NA	$ 757,615	$ -	$ -	$ -
Government Securities	1,004,877	AA+	1,004,877	-	-	-
Corporate Bonds	251,849	AA-	251,849	-	-	-
Total Investments	$ 2,014,341		$ 2,014,341	$ -	$ -	$ -

			December 31, 2018			
Type	Fair Value	Rating	Less than 1	1-5	6-10	More than 10
Certificates of Deposit	$ 1,753,568	NA	$ 1,505,339	$ 248,229	$ -	$ -
Government Securities	2,394,401	AA+	2,394,401	-	-	-
Corporate Bonds	4,757,459	A+ - AA+	4,508,283	249,176	-	-
Total Investments	$ 8,905,428		$ 8,408,023	$ 497,405	$ -	$ -

Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the District measures fair value refer to Note 1 – Nature of Operations and Summary of Significant Accounting Policies. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the District measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	December 31, 2019			
Investment Type	Level 1	Level 2	Level 3	Total
Government Securities	$ 1,004,877	$ -	$ -	$ 1,004,877
Corporate Bonds	-	251,849	-	251,849
Total	$ 1,004,877	$ 251,849	$ -	$ 1,256,726

	December 31, 2018			
Investment Type	Level 1	Level 2	Level 3	Total
Government Securities	$ 2,394,401	$ -	$ -	$ 2,394,401
Corporate Bonds	-	4,757,459	-	4,757,459
Total	$ 2,394,401	$ 4,757,459	$ -	$ 7,151,860

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy does not contain a provision that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State Statutes limits the investments in bonds, debentures or notes of any corporation to be rated "A" or higher by nationally recognized statistical rating organizations at the time of purchase. As of December 31, 2019 and 2018, the District believes it was compliant with State Statutes with regard to credit risk. The District has no investment policy that would further limit its investment options.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the District's investments in repurchase agreements at December 31, 2019 and 2018 are held by the counterparties in other than the District's name. The District's investment policy does not address how the securities' underlying repurchase agreements are to be held.

Summary of Carrying Values

The carrying values of deposits and investments shown are included in the statements of net position as follows:

	2019	2018
Carrying Value:		
Deposits	$ 20,115,903	$ 14,676,003
Investments	2,014,341	8,905,428
Total Deposits and Investments	$ 22,130,244	$ 23,581,431

	2019	2018
Included in the Following Statements of Net Position Captions:		
Cash and Cash Equivalents	$ 18,703,367	$ 13,272,797
Restricted Cash Under Debt Agreement	1,412,536	1,403,206
Noncurrent Cash and Investments:		
Long-Term Investments	2,014,341	8,905,428
Total Deposits and Investments	$ 22,130,244	$ 23,581,431

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Income

Investment income consisted of the following for the years ending December 31, 2019 and 2018:

	2019	2018
Interest Income	$ 362,010	$ 299,386
Unrealized Losses	(27,082)	(42,864)
Total	$ 334,928	$ 256,522

NOTE 6 CAPITAL ASSETS, NET

Capital asset activity for the year ended December 31, 2019 was as follows:

	2019				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	$ 513,973	$ -	$ -	$ -	$ 513,973
Land Improvements	881,009	-	-	-	881,009
Buildings and Leasehold Improvements	39,958,325	260,220	-	-	40,218,545
Equipment	9,434,095	923,713	(80,094)	2,857,882	13,135,596
Construction in Progress	661,187	3,015,069	-	(2,857,882)	818,374
Total	51,448,589	4,199,002	(80,094)	-	55,567,497
Less: Accumulated Depreciation:					
Land Improvements	658,743	35,906	-	-	694,649
Buildings and Leasehold Improvements	14,380,399	1,251,219	-	-	15,631,618
Equipment	6,780,771	794,093	(80,094)	-	7,494,770
	21,819,913	2,081,218	(80,094)	-	23,821,037
Capital Assets, Net	$ 29,628,676	$ 2,117,784	$ -	$ -	$ 31,746,460

NOTE 6 CAPITAL ASSETS, NET (CONTINUED)

Capital asset activity for the year ended December 31, 2018 was as follows:

	2018				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	$ 513,973	$ -	$ -	$ -	$ 513,973
Land Improvements	888,759	-	(7,750)	-	881,009
Buildings and Leasehold Improvements	40,049,633	111,516	(916,659)	713,835	39,958,325
Equipment	9,988,895	369,388	(924,188)		9,434,095
Construction in Progress	148,818	1,226,204	-	(713,835)	661,187
Total	51,590,078	1,707,108	(1,848,597)	-	51,448,589
Less: Accumulated Depreciation:					
Land Improvements	629,115	37,378	(7,750)	-	658,743
Buildings and Leasehold Improvements	14,095,557	1,201,501	(916,659)	-	14,380,399
Equipment	6,855,942	830,038	(905,209)	-	6,780,771
	21,580,614	2,068,917	(1,829,618)	-	21,819,913
Capital Assets, Net	$ 30,009,464	$ (361,809)	$ (18,979)	$ -	$ 29,628,676

Construction in progress at December 31, 2019 consists of costs the related to leasehold improvements for the Urgent Care Clinic and various other projects. The Urgent Care Clinic leasehold improvements are exected to be completed in May 2020 at an estimated cost of $2.5 million. This project the being funded through a note payable as identified in Note 11. The various other projects are expected to be completed throughout the first half of fiscal year 2020 at an estimated total cost of approximately $875,000. These various projects are being funded through operations.

NOTE 7 LINE OF CREDIT

The District has entered into a line of credit agreement with a financial institution that provides for the available borrowings of $3,000,000. The agreement matures on July 30th and currently is renewed through July 30, 2020. Borrowings under the line of credit bear interest at the Prime Rate as published by the Wall Street Journal less 0.75 percentage points. The minimum interest rate is 3.5% and the line of credit is secured by all accounts the District holds with the financial institution, to the extent permitted by applicable law. There was no amount outstanding as of December 31, 2019 and 2018.

NOTE 8 LONG-TERM DEBT

The following is a summary of long-term debt transactions for the District for the years ended December 31, 2019 and 2018:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Promissory Notes, Series 2016	$ 14,545,000	$ -	$ (1,060,000)	$ 13,485,000	$ -

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Promissory Notes, Series 2016	$ 16,605,000	$ -	$ (2,060,000)	$ 14,545,000	$ -
Capital Lease Obligations	14,920	-	(14,920)	-	-
Total Long-Term Debt	$ 16,619,920	$ -	$ (2,074,920)	$ 14,545,000	$ -

During 2016, the District refinanced its Limited Tax-Revenue Bonds Series 2006 (the Bonds) with Promissory Notes, Series 2016 (the Notes). The District used the proceeds from the Notes of $17,625,000 and deposits restricted under the 2006 bond indenture to complete the refinancing. The Notes bear interest of 1.85% and 2.90% with the interest being payable semiannually on each January 1 and July 1 and principal being due in varying annual installments through December 31, 2031.The Notes are secured by the District's pledged revenues. As of December 31, 2019 and 2018, the District had made the principal payment due on January 1st of the subsequent year, thus there is no current portion of long-term debt shown in the financial statements.

Restrictive Covenants

Under the terms of the Promissory Notes, Series 2016 agreement, the District is required to maintain certain deposits with the lender. Such deposits are included in restricted cash under debt agreement on the statements of net position. The Promissory Notes agreement also requires that the District satisfy certain measures of financial performance including maintaining a debt-service coverage ratio of at least 1.25, have 90 days of cash on hand, and places restrictions on incurrence of additional debt. Management believes the District is in compliance with restrictive covenants at December 31, 2019.

NOTE 8 LONG-TERM DEBT (CONTINUED)

Scheduled principal and interest payments on bank loans are as follows:

	Promissory Notes, Series 2016	
Year Ending December 31,	Principal	Interest
2020	$ -	$ 327,417
2021	1,085,000	349,304
2022	1,105,000	328,767
2023	1,125,000	307,854
2024	1,140,000	282,219
2025 - 2029	6,250,000	880,523
2030-2031	2,780,000	82,663
Total	$ 13,485,000	$ 2,558,747

Capital Lease Obligations

The District was obligated under lease agreements for equipment that was accounted for as a capital lease obligations. The capital lease obligations required varying monthly payments at an interest rate of 3% through January 2018 and were secured by the leased equipment. The capital lease obligations were paid in full during fiscal year 2018.

NOTE 9 PENSION PLAN

The District has a money purchase pension plan (the Plan) covering all employees of the District immediately upon hire. The Plan was established by and can be amended by the authority of the District's board of directors. Employee contributions to the Plan vest immediately. Employer contributions to the plan are currently set at 6.25% of eligible employee compensation. The employer contributions vest based on the following schedule: 25% based on less than a year of employment, 50% at one year of employment, 75% at two years of employment, and 100% at three or more years of employment. Distributions can be made by the participant from their vested account balance upon the participant reaching the age of 62 or terminating employment with the District. Total pension expense for the years ended December 31, 2019, 2018, and2017 was $1,480,807, $1,349,522, and $1,259,799, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health and workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected losses, which are not covered by insurance, if any. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Malpractice Claims

The District pays fixed premiums for annual medical malpractice insurance coverage under a claims-made policy. The medical malpractice insurance coverage is subject to a $1 million per claim limit and an annual aggregate limit of $3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. The District is not aware of any unasserted claims, unreported incidents or claims outstanding, which are expected to exceed malpractice insurance coverage limits as of December 31, 2019. Further, the District is subject to the provisions of the Colorado Government Immunity Act, which provides a limitation on the liability of the District. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Employee Health Insurance

Substantially all of the District's employees and their dependents are eligible to participate in the District's employee health insurance plan. The District is partially self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $75,000 per claim. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the District's estimate will change by a material amount in the near term.

Activity in the District's accrued employee health claims liability during 2019 and 2018 is summarized as follows:

	2019	2018
Balance - Beginning of Year	$ 319,000	$ 475,000
Current Year Claims Incurred and Changes in Estimate for Claims Incurred in Prior Years	3,410,908	3,607,957
Claims and Expenses Paid	(3,429,908)	(3,763,957)
Balance - End of Year	$ 300,000	$ 319,000

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

During fiscal year 2019 the District entered into a lease for the Urgent Care Clinic space. The lease starts in fiscal year 2020 and expires in fiscal year 2030 with an option to extend for an additional ten year period. A summary of future minimum operating lease payments are as follows:

Year Ending December 31,	
2020	$ 409,638
2021	417,831
2022	426,187
2023	434,711
2024	443,405
Thereafter	2,353,649
Total	$ 4,485,422

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously, billed and collected revenues from patient services. The District operates a Compliance Committee which reviews the operations of the District. The District records allowances where the government has shown a pattern of adjusting periodic reports submitted by the District, including Medicare cost reports or tax reporting, or where internal reviews indicate the possibility of future adjustments. Management believes that the District is in substantial compliance with current laws and regulations.

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 of care
- Environmental pollution
- Violation of a regulatory body's rules and regulations
- Violation of federal and/or state laws

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

NOTE 11 SUBSEQUENT EVENTS

Subsequent to year-end, 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 District, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of healthcare personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the District 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 December 31, 2019.

In April 2020, the District received payments under the Medicare Accelerated and Advanced Payment Program (the Program) of approximately $4,400,000 to help with cash flow during the COVID-19 pandemic. Under the Progam these funds will start to be repaid 120 days after the funding is received and are to be repaid in full within a one year from the receipt of the accelerated payments. The District also received $702,000 under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) which is treated as a grant.

On March 30, 2020, the District entered into a promissory note payable with a financial institution for $2,500,000 to fund the construction costs related to the Urgent Care Clinic buildout. Starting April 30, 2021, monthly payments of $22,361 are due on the promissory note payable and they continue through March 30, 2031. Interest accrues at the Bank of Colorado Estes Park 12-month Public Funds Certificate of Deposit Rate plus one percent (1.1% as of the loan issuance date). The promissory note payable is secured by a certificate of deposit account held by the financial institution.

PARK HOSPITAL DISTRICT
DBA: ESTES PARK HEALTH
BUDGETED AND ACTUAL REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Actual	Budgeted	Favorable (Unfavorable) Variance
OPERATING REVENUES			
Net Patient and Resident Service Revenue	$ 48,337,074	$ 50,327,968	$ (1,990,894)
Other Revenue	727,677	875,430	(147,753)
Total Operating Revenues	49,064,751	51,203,398	(2,138,647)
OPERATING EXPENSES			
Salaries, Wages, and Employee Benefits	28,516,716	28,886,598	369,882
Other	23,777,594	22,261,824	(1,515,770)
Total Operating Expenses	52,294,310	51,148,422	(1,145,888)
OPERATING INCOME (LOSS)	(3,229,559)	54,976	(3,284,535)
NONOPERATING REVENUES (EXPENSES)	2,879,426	2,506,823	372,603
EXCESS (DEFICIT) OF REVENUES OVER EXPEN	$ (350,133)	$ 2,561,799	$ (2,911,932)

NOTE TO SCHEDULE

Annual budgets are adopted as required by Colorado statutes. Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a basis that is consistent with accounting principles generally accepted in the United States of America.

Appropriations are adopted by resolution in total.

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
Park Hospital District
dba: Estes Park Health
Estes Park, Colorado

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 financial statements of Park Hospital District dba: Estes Park Health (the District), which comprise the statement of net position as of December 31, 2019, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Board of Directors
Park Hospital District
dba: Estes Park Health

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Denver, Colorado
April 27, 2020

Item 4.2

ESTES PARK HEALTH

1st Quarter Financials 2020

Prepared For:

Board of Directors

Prepared By:

Tim Cashman, CFO

2020 1st Quarter Overview

The impact of the COVID-19 event has shown a profound impact on the Hospital.

- Before March 19, visits were tracking close to budget; Net Revenues were very close to Budget.
- After March 19, after the Governor's Executive Order to "Cease All Elective Surgeries and Procedures and Preserve Personal Protective Equipment and Ventilators due to the presence of COVID-19";
  - Most patient visits ceased. Including Clinic visits, Ancillary and, Surgical;
  - Emergency Department experienced a decline;
  - Overall Revenues declined by 60%. (This is still the case)
- Incident Command was established resulting the development of the "Operations Committee".
- Staffing remained generally intact, intending to evaluate the situation and sustain the employees thru April.

2020 1st Quarter Overview

Revenues for the 1st Quarter are $2.3M under Budget and $1.8M under last year.

- Inpatient days are dramatically less than Budget.
- Swing beds days continue to report lower numbers
- Outpatient revenues are close Budget.
- Loss of the Sterilizer in early October has had dramatic impact on Surgeries and recovery is very slow.

Expenses are slightly over Budget and 17% higher than last year.

- Principal impact is Physician Contract Labor and Supplies

Total Earnings are $1.5M less than Budget due to the decline in business volumes/revenues

ESTES PARK
HEALTH

2020 1st Quarter
Overview

Balance Sheet ratios are suddenly very interesting:

- Days in Accounts receivable have dropped to 53;
- Days Cash on Hand are 132, less than last year. Use of Cash will continue to decline due to the COVID-19 pandemic.

Cash Flow is now negative and projected to become much worse over the year, with a loss of potentially $7M.

2020 1st Quarter
Overview

Support

As a result of the recent support from the Federal Government, via several programs have provided funding in April:

Advance Payment Program -currently scheduled for repayment; possibility of forgiveness	$4.4M
HHS Stimulus -forgivable	$702K
Payroll Protection Program -eligible for forgiveness assuming compliance with stipulations.	$4.8M (approved; pending)

ESTES PARK
HEALTH

Key Areas of Variance

REVENUES

- Inpatient, Swing and Observation are down by $925K
- Birth Center is down by $126K
- Surgery and Anesthesia down by $713K and $117K, respectfully
- Emergency Dept down by $91K
- Ambulance/EMS is down $48K
- Lab, Radiology, Pharm & Rehab down by $730K
- Clinic Physicians down by $100K
- Cardiology Clinic down by $121K

EXPENSES

- Contract Labor over Budget by $281K
- Supplies are over budget $338K

ESTES PARK HEALTH

Key Drivers of Financial Performance

	2020	Budget	2019
Inpatient Days	163	235	273
Swing Bed	87	122	83
Births	12	21	18
ER Visits	1,066	1,025	1,025
Ambulance Trips	418	410	410
Clinic Visits	5,160	5,194	7,513
Surgeries (not incl GI)	156	210	176
GI Procedures	120	104	71
Lab Tests	16,338	17,589	17,589
Radiology Exams	2,352	2,512	2,512
Rehab Visits	2,083	2,611	2,780
Home Health/Hospice	2,306	2,314	2,371
Living Center Days	2,985	3,420	3,285

ESTES PARK HEALTH

Summary of Profit and Loss

	Actual 2020 YTD	Budget 2020 YTD	Variance $	Prior Year 2019	Prior Year % Var
Patient Revenue	19,309	21,602	(2,294)	21,091	-8%
Total Revenue Deductions	(8,564)	(9,937)	1,374	(10,409)	-18%
Total Operating Revenue	10,864	11,874	(1,010)	10,855	0%
Total Operating Expenses	14,805	14,413	392	12,703	-17%
Operating Income (Loss)	(3,941)	(2,539)	(1,402)	(1,847)	-113%
Non-Operating Income	793	849	(56)	774	3%
Gift to Purchase Capital Assets	-	100	(100)	15	0%
Increase (Decrease) in Net Assets	(3,147)	(1,589)	(1,558)	(1,058)	197%
EBIDTA	(2,366)	(725)	-	(461)	0%

ESTES PARK
HEALTH

Cash Flows

Statement of Cash Flows (Unaudited)
1/1/20 through 3/31/20

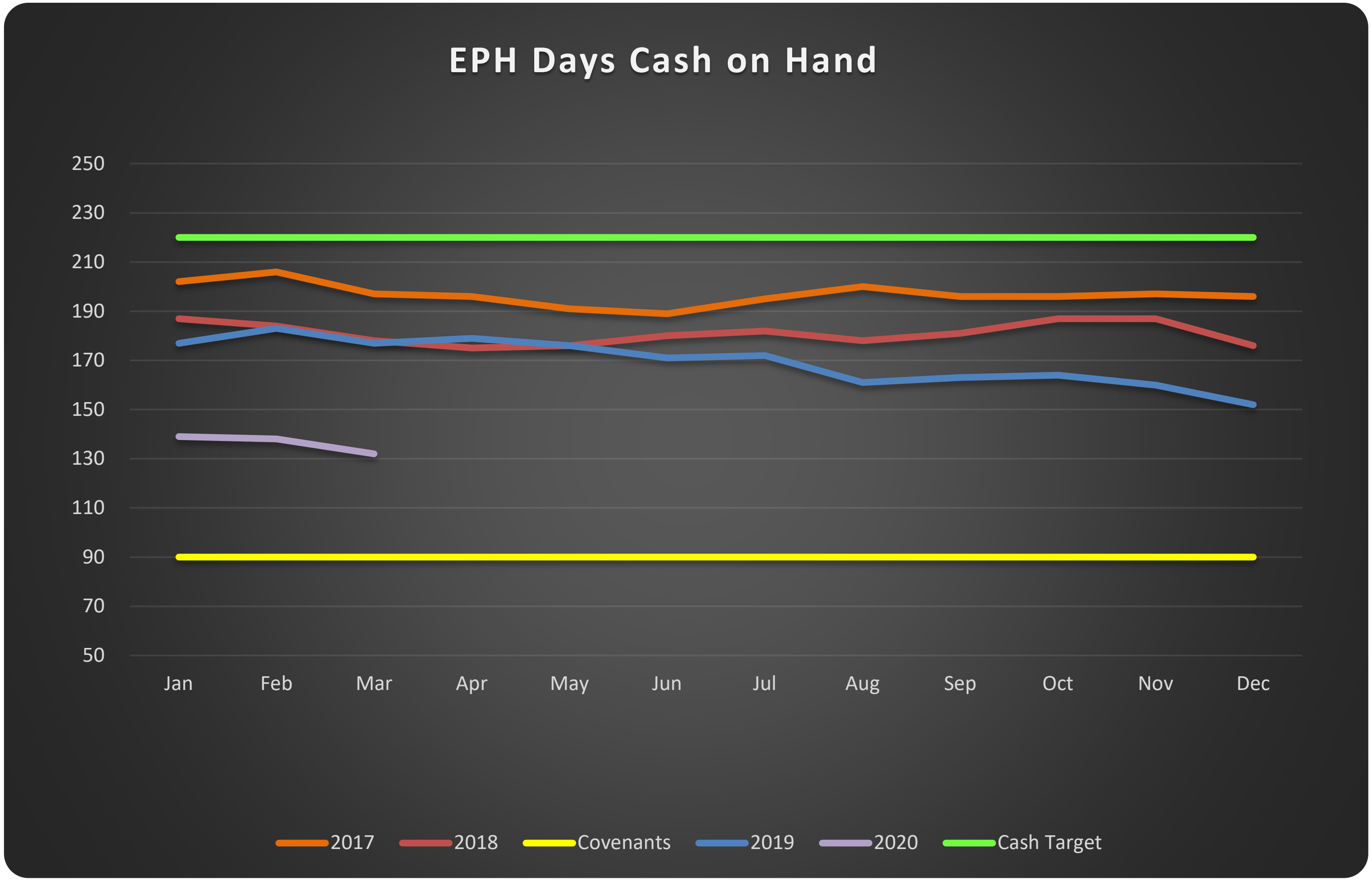
Cash Flows From Operating Activities	
Net cash provided by (used in) operating activities	(1,627,688)
Cash Flows From Financing Activities	
Net cash provided by (used in) financing activities	(823,990)
Cash Flows From Investing Activities	
Net cash provided by (used in) investing activities	(44,034)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,495,711)
Cash and Cash Equivalents, 01/01/2020	20,744,349
Cash and Cash Equivalents, 3/31/20	$ 18,248,638
Restricted Cash and Cash Equivalents, 3/31/20	$ 1,413,976
Unrestricted Cash and Cash Equivalents, 3/31/20	16,834,662
	$ 18,248,638

ESTES PARK HEALTH

Forecast 2020

ESTES PARK HEALTH						
Statement of Revenues and Expenses (Unaudited)						
Forecast 2020						
	YEAR TO DATE 1st Qtr 2020	FORECAST FY 2020				
REVENUE	Actual	2nd Quarter	3rd Quarter	4th Quarter	FY 2020 Forecast	Budget 2020
TOTAL OPERATING REVENUE	10,864,062	6,977,716	11,933,959	10,084,092	39,927,532	53,750,778
TOTAL OPERATING EXPENSE	14,804,615	11,836,466	14,248,707	14,248,707	55,138,494	57,159,152
OPERATING INCOME (LOSS)	**(3,940,553)**	**(4,858,750)**	**(2,314,748)**	**(4,164,615)**	**(15,210,962)**	**(3,408,374)**
Operating Margin	*-36.3%*	*-69.6%*	*-19.4%*	*-41.3%*	*-38.1%*	
INCREASE (DECREASE) IN NET ASSETS	**(3,147,155)**	**(3,600,207)**	**(1,456,205)**	**(3,656,072)**	**(11,791,935)**	**303,298**
Total Margin	*-29.0%*	*-51.6%*	*-12.2%*	*-36.3%*		*0.6%*
EBIDTA	**(2,366,454)**	**(2,709,186)**	**(565,184)**	**(2,765,051)**	**(8,338,171)**	**3,840,718**

Days Cash on Hand



ESTES PARK
HEALTH

Questions?

ESTES PARK
HEALTH

555 Prospect Ave. | P.O. Box 2740 | Estes Park, CO 80517

CFO Report
1st Quarter 2020

Executive Summary

It has been a very eventful last few months, to say the least. On March 19th, the Governor issues an **Executive Order for the Temporary Cessation of All Elective and Non-Essential Surgeries and Procedures and Preserving Personal Protective Equipment and Ventilators in Colorado Due to the Presence of COVID-19**. This is consistent with the Governor's Stay at Home Order effective March 26th.

As a result, patients in need of hospital services has diminished by approximately 60% thru April 22nd. The Governor has declared an easing of these orders effective April 26th however it remains to be seen how quickly the local economy will begin to recover. Accordingly, the hospital financials are reflective of this significant loss of revenue. The month of March reflects a 31% decrease in Revenues and the Year to Date decrease of 11%. The month of April, thus far, is dramatically lower, around 65%.

1. Through the first quarter of 2020, EPH is reporting a Net Loss of ($3.1M) compared to Budgeted Net Loss of ($1.6M). Prior period in 2019 reported a Net Loss of ($1.1).
2. Gross Patient Revenues are $2.3M under Budget, or 11% and $1.8M or 8% lower than last year.
3. Contractual Adjustments, as a percentage of gross revenue are slightly better than budget.
4. Expenses are close to budget, yet 17% higher than last year, due to Salaries, Contract Labor, Supplies and Purchased Services.
5. Days in Accounts Receivable are rebounding from the Epic conversion in November; from a high of 64 to a current 53. We expect this trend to continue.
6. Days Cash on Hand are down substantially to 132, due to the use of Cash for the Epic/Lawson conversion, the loss of the Sterilizer for 5 months, and the dramatic impact of the loss of business.

Revenues

Year to Date Inpatient Days and Revenues were substantially below budget by $2.1M. Outpatient visits are also reporting slightly below budget for the month. Unfortunately, visits are dramatically worse for April. There is some hope, however, with the easing of restrictions, that visits and revenues will begin to recover in May and June. Looking forward, the prevailing thought suggests a potential recovery of up to 50%, through the summer.

Expenses

Expenses continue to remain close to Budget. Senior Leadership did recommend a holding period through April to assess a potential surge in patient visits, as a result of COVID-19. To date, that has not materialized. Accordingly, discussions are underway with respect to Strategy for the next few months.

Statistics

	YTD	***Budget***	***2019***
Inpatient Days	163	235	273
Swing Bed	87	122	83
Births	12	21	18
ER Visits	1,066	1,025	1,025
Ambulance Trips	418	410	410
Clinic Visits	5,160	5,194	7,513
Surgeries (not incl GI)	156	210	176
GI Procedures	120	104	71
Lab Tests	16,338	17,589	17,589
Radiology Exams	2,352	2,512	2,512
Rehab Visits	2,083	2,611	2,780
Home Health/Hospice	2,306	2,314	2,371
Living Center Days	2,985	3,420	3,285

Balance Sheet

The Balance Sheet has certainly looked better than it does now. Unfortunately, it would appear there remain numerous challenges for the hospital. Cash is down considerably, due principally to the Epic/Lawson conversion and the Urgent Care Center, as well as declining Revenues. Days Cash on Hand are quite low at 132, yet still marginally good, given the current environment. Accounts Receivable continue to improve.

Forecast for 2020

Please note an attached Forecast and Assumptions (last two pages of this report). The numbers are indeed staggering. Working concurrently with our Audit firm and their toolkit, we have tried to develop a realistic look at the remainder of the year. Some assumptions were made regarding recovery of Revenues and some Expense reductions. However, given the dramatic and sudden loss of patient visits in April and likely May, and the potential of a very slow recovery, the impact is profound.

The good news is, while this Forecast does not include any funding received, the funds received as noted below are extremely helpful.

Funding Support

The District was successful in obtaining outside funding opportunities. However, at least half of the funds are designated as a loan and due to be repaid later this year. There is some hope that the Federal Government will designate those funds as forgivable. But that is not confirmed.

As a result of the recent support from the Federal Government, via several programs have provided funding in April:

- Advance Payment Program $4.4M
  -currently scheduled for repayment; possibility of forgiveness

- HHS Stimulus $702K
  -forgivable

- Payroll Protection Program $4.8M (approved; pending receipt)
  -eligible for forgiveness assuming compliance with stipulations.

Summary

Obviously, the remainder of the year does not look overly optimistic, with respect to Cash Flow. The good news is that we do have some funding completed to help navigate the next few difficult months. Cash reserves will be impacted as the months of cash payments, of June through August, have little volume. We have been working with our Audit firm (CliftonLarsonAllen, LLP) to model some financial assumptions with respect to Revenues, Expenses, Earnings and Cash Flow and the impact to our Days Cash on Hand ratio. We do believe sufficient funds exist, given a modest economic growth and good cash management. It is highly unlikely the District will accomplish the budgetary goals for the year, due specifically to the COVID-19 pandemic. The goal for the remainder of the year is to maintain sufficient cash flow in order to stay compliant with our covenants.

Estes Park Health

Financial Overview

Month Ended March 31, 2020

FINANCIAL RATIOS

	Feb	Mar	RED	YELLOW	GREEN
Days in Accounts Receivable	58.2	53.1	> 60	50 - 60	< 50
Days Cash on Hand	138	132	< 125	125 - 224	> 225
Debt Service Coverage Ratio	1.18	0.43	<1.25	1.25 - 2.0	> 2.0
Operating Margin (12 Mo. Rolling)	-8.3%	-11.0%	< 2.0%	2% - 4.99%	> 5%
Total Margin (12 Mo. Rolling)	-1.6%	-4.2%	< 5.0%	5% - 9.99%	> 10.0%

OTHER INDICATORS

	Feb	Mar	Budget	YTD	YTD Budget
Total Deductions from Revenue %	40.9%	42.0%	46.0%	44.4%	46.0%
Operating Margin	($749,994)	($2,193,710)	($847,798)	($3,940,551)	($2,538,744)
Operating Margin %	-17.4%	-71.5%	-21.0%	-36.3%	-21.4%
Increase (decrease) in Net Assets	($489,054)	($1,935,472)	($464,639)	($3,147,153)	($1,589,267)
Total Margin %	-11.3%	-63.0%	-11.5%	-29.0%	-13.4%

SUMMARY

Statistics: IP Days are at 54 compared to 115 in February and 140 in March 2019.
Physicians Clinic Visits are at 1271 compared to 1722 in February and 1703 in March 2019.
Surgeries are at 23 compared to 43 in February and 27 in March 2019.

Revenue: March's Gross Patient Revenue is $5,214,132 compared to a budget level of $7,336,771.

Other Operating Revenue: YTD Other Revenues are $90,120 below budget.

Expenses: Total Operating Expenses in March are $389,063 over budget. Salaries and benefits are under budget by $105,203.

Excess Revenues (Expenses): March's increase in Net Assets is -$1,935,472 compared to a budget of of -$464,639. March's Total Margin is -63% compared to a budgeted level of -11.5%.

Ratio Analysis: Day's in A/R is at 53.1 which is higher than the industry average of fifty.
Day's Cash on Hand is at 132 compared to February's level of 138 and March 2019 of 177.

Debt Coverage Ratio: March's rolling 12 month ratio is 0.42%. The loan end of year minimum required ratio is 1.25.

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
March 31, 2020

	MONTH Mar-20			YEAR TO DATE FY 2020			PRIOR YEAR TO DATE FY 2019	
REVENUE	Actual	Budget	Var	Actual	Budget	Var	Actual	Var
Patient Revenue								
In-Patient	$ 671,102	$ 1,845,532	-64%	$ 3,029,481	$ 5,134,312	-41%	$ 5,236,486	-42%
Out-Patient	4,543,031	5,491,239	-17%	16,279,271	16,468,107	-1%	15,854,693	3%
TOTAL PATIENT REVENUE	5,214,132	7,336,771	-29%	19,308,752	21,602,419	-11%	21,091,179	-8%
Less Contractual Adjustments	(2,462,711)	(3,301,547)	25%	(8,894,591)	(9,721,089)	9%	(10,344,367)	14%
Less Bad Debt Adjustments	273,915	(73,368)	473%	331,040	(216,025)	253%	(64,858)	610%
TOTAL REVENUE DEDUCTIONS	(2,188,796)	(3,374,915)	35%	(8,563,551)	(9,937,114)	14%	(10,409,225)	-18%
	42.0%	*46.0%*		*44.4%*	*46.0%*		*49.4%*	
NET PATIENT REVENUE	3,025,336	3,961,856	-24%	10,745,201	11,665,305	-8%	10,681,953	1%
Other Operating Revenue	44,454	77,041	-42%	118,863	208,983	-43%	173,514	-31%
TOTAL OPERATING REVENUE	3,069,790	4,038,897	-24%	10,864,063	11,874,288	-9%	10,855,467	0%
EXPENSES								
Wages	2,017,704	2,125,941	5%	6,069,131	6,192,266	2%	5,366,042	-13%
Benefits	588,194	585,160	-1%	1,560,727	1,528,953	-2%	1,601,742	3%
Contract Labor	780,690	526,418	-48%	1,850,442	1,578,554	-17%	1,592,219	-16%
Medical Supplies	425,106	374,997	-13%	1,360,464	1,120,874	-21%	1,138,451	-20%
Non-Medical Supplies	96,053	80,886	-19%	350,012	251,388	-39%	242,172	-45%
Purchased Services	593,088	576,394	-3%	1,789,162	1,817,782	2%	1,259,179	-42%
Other Operating Expenses	390,322	328,780	-19%	1,043,976	1,058,858	1%	905,536	-15%
Depreciation & Amortization	335,422	253,853	-32%	683,307	761,559	10%	500,196	-37%
Interest	36,921	34,266	-8%	97,394	102,798	5%	97,206	0%
TOTAL OPERATING EXPENSE	5,263,500	4,886,695	-8%	14,804,615	14,413,032	-3%	12,702,744	-17%
OPERATING INCOME (LOSS)	(2,193,710)	(847,798)	-159%	(3,940,551)	(2,538,744)	-55%	(1,847,277)	-113%
Operating Margin	*-71.5%*	*-21.0%*		*-36.3%*	*-21.4%*		*-17.0%*	
Non-Operating Revenue	262,433	287,559	-9%	805,983	862,677	-7%	786,257	3%
Non-Operating Expense	(4,195)	(4,400)	5%	(12,585)	(13,200)	5%	(12,582)	0%
EXCESS REVENUES (EXPENSES)	(1,935,472)	(564,639)	-243% #	(3,147,153)	(1,689,267)	-86%	(1,073,602)	193%
Gift to Purchase Capital Assets		100,000			100,000		15,277	
INCREASE (DECREASE) IN NET ASSETS	(1,935,472)	(464,639)	-317%	(3,147,153)	(1,589,267)	-98%	(1,058,325)	-197%
Total Margin	*-63.0%*	*-11.5%*		*-29.0%*	*-13.4%*		*-9.7%*	
EBDITA	$ (1,563,129)	$ (176,520)	-786%	$ (2,366,452)	$ (724,910)	-226%	$ (1,249,875)	

ESTES PARK HEALTH
Balance Sheet (Unaudited)
March 31, 2020

ASSETS	2020 Mar	2020 Feb
CASH & CASH EQUIVALENTS	$ 16,834,662	$ 17,367,265
PATIENT ACCOUNTS RECEIVABLE	11,257,627	13,759,900
LESS: ALLOWANCES	(5,508,872)	(6,651,276)
NET ACCOUNTS RECEIVABLE	5,748,755	7,108,624
RECEIVABLES FROM OTHER PAYORS	2,957,128	3,592,812
INVENTORY	1,076,941	1,075,458
PREPAID EXPENSES	600,863	321,605
TOTAL CURRENT ASSETS	**27,218,349**	**29,465,765**
NET PROPERTY, EQUIPMENT & INTANGIBLE ASSETS	**33,056,692**	**31,683,091**
RESTRICTED ASSETS	**1,413,976**	**1,413,563**
OTHER ASSETS	0	0
LONG TERM INVESTMENTS	1,040,820	754,840
TOTAL OTHER ASSETS	**1,040,820**	**754,840**
TOTAL ASSETS	**$ 62,729,837**	**$ 63,317,260**
LIABILITIES		
ACCOUNTS PAYABLE	1,425,755	952,534
ACCRUED EXPENSES	4,687,677	4,861,857
ACCRUED COMP PAYABLE	1,079,156	1,102,333
ACCRUED INTEREST PAYABLE	89,603	59,079
EST THIRD-PARTY SETTLEMENT	1,430,484	1,404,005
SHORT TERM NOTES PAYABLE	316,581	0
OTHER CURRENT LIABILITIES	0	0
CURRENT MATURITIES OF OTHER LONG TERM DEBT	1,085,000	1,085,000
TOTAL CURRENT LIABILITIES	**10,114,256**	**9,464,808**
DEPOSITS AND DEFERRED INCOME		
LOANS PAYABLE	13,098,651	12,400,000
LEASES PAYABLE	0	0
TOTAL LONG-TERM LIABILITIES	**13,098,651**	**12,400,000**
TOTAL LIABILITIES	**23,212,907**	**21,864,808**
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	42,664,083	42,664,133
UNRESTRICTED		
TOTAL NET ASSETS	**42,664,083**	**42,664,133**
EXCESS REVENUES YTD	**(3,147,153)**	**(1,211,681)**
TOTAL LIABILITIES & NET ASSETS	**$ 62,729,837**	**$ 63,317,260**

ESTES PARK HEALTH
Statistical and Consolidated Financial Summary
Month Ended March 31, 2020

Utilization

	Month			Year To Date		
	Actual	Budget	Variance To Budget	Actual	Budget	Variance To Budget
Hospital						
In-Patient Days	54	175	-69.1%	300	439	-31.7%
Out Patient Visits	5622	6898	-18.5%	20655	21363	-3.3%
Living Center						
Resident Days	933	1178	-20.8%	2985	3420	-12.7%
Clinic						
Physicians Clinic Visits	1271	1852	-31.4%	5160	5194	-0.7%

Income Statement

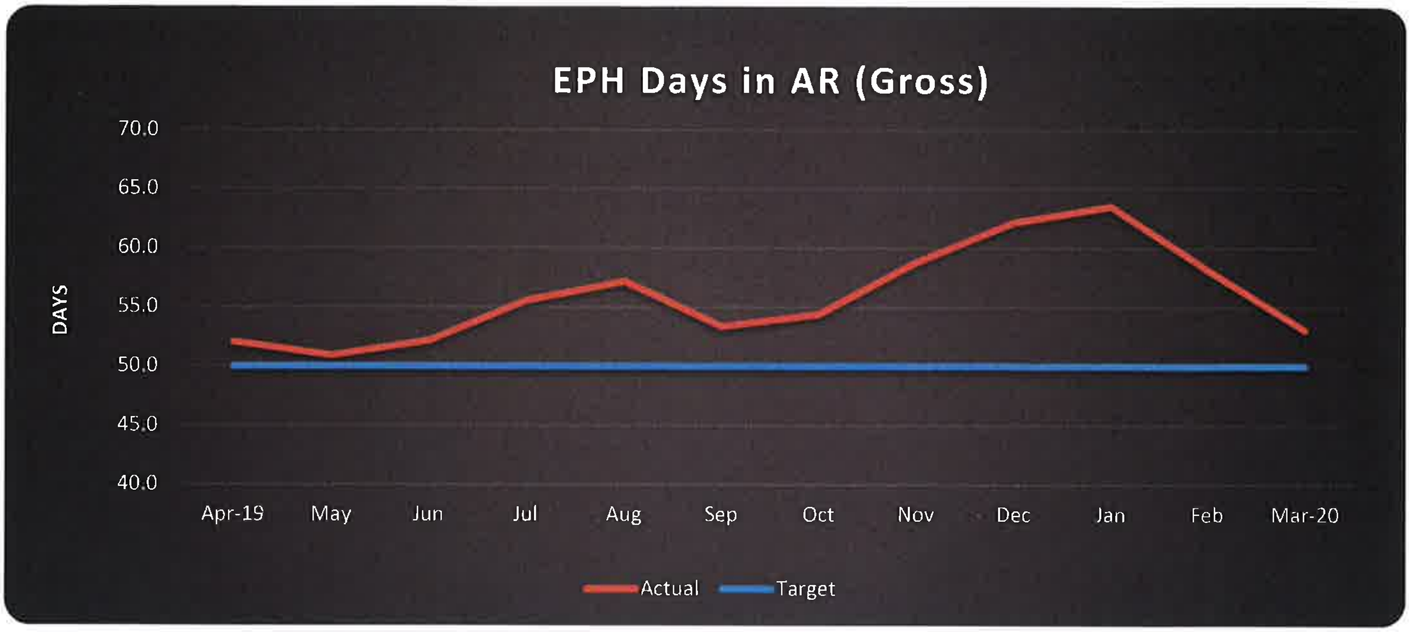
	Month				Year To Date			
	Actual	Budget	To Budget	% Variance	Actual	Budget	To Budget	% Variance
Hospital								
Operating Revenue (Net)	$ 2,152,742	$ 2,783,234	(630,492)	-22.7%	$ 7,704,046	$ 8,236,110	(532,064)	-6.5%
Operating Expenses	3,857,842	3,575,617	(282,225)	-7.9%	10,617,344	10,583,445	(33,899)	-0.3%
Net Operating Income (Loss)	(1,705,100)	(792,383)	(912,717)	115.2%	(2,913,298)	(2,347,335)	(565,963)	-24.1%
Living Center								
Operating Revenue (Net)	280,723	388,844	(108,121)	-27.8%	976,930	1,129,959	(153,029)	-13.5%
Operating Expenses	457,412	417,162	(40,250)	-9.6%	1,299,157	1,224,360	(74,797)	-6.1%
Net Operating Income (Loss)	(176,689)	(28,318)	(148,371)	-523.9%	(322,227)	(94,401)	(227,826)	-241.3%
Clinic								
Operating Revenue (Net)	636,325	866,819	(230,494)	-26.6%	2,183,087	2,508,219	(325,132)	-13.0%
Operating Expenses	948,246	893,916	(54,330)	-6.1%	2,888,114	2,605,227	(282,887)	-10.9%
Net Operating Income (Loss)	(311,921)	(27,097)	(284,824)	-1051.1%	(705,027)	(97,008)	(608,019)	-626.8%
Total								
Operating Revenue (Net)	3,069,790	4,038,897	(969,107)	-24.0%	10,864,063	11,874,288	(1,010,225)	-8.5%
Operating Expenses	5,263,500	4,886,695	(376,805)	-7.7%	14,804,615	14,413,032	(391,583)	-2.7%
Net Operating Income (Loss)	(2,193,710)	(847,798)	(1,345,912)	-158.8%	(3,940,551)	(2,538,744)	(1,401,808)	-55.2%
Total								
Non Operating Revenue (Net)	262,433	287,359	(24,926)	-8.7%	805,983	862,677	(56,694)	-6.6%
Non Operating Expenses (Net)	(4,195)	(4,200)	5	0.1%	(12,585)	(13,200)	615	4.7%
Excess of Rev over Exp Before Cap gifts	$ (1,935,472)	$ (564,639)	$(1,370,833)	242.8%	$ (3,147,153)	$ (1,689,267)	$(1,457,886)	86.3%
Gifts to Purchase Capital Assets	-	100,000	(100,000)	-100.0%		100,000	(100,000)	-100.0%
Increase (Decrease) in Net Assets	$ (1,935,472)	$ (464,639)	$(1,470,833)	-316.6%	$ (3,147,153)	$ (1,589,267)	$(1,557,886)	-98.0%

ESTES PARK HEALTH

Statement of Cash Flows (Unaudited)

1/1/20 through 3/31/20

Cash Flows From Operating Activities	
(Deficiency) Excess of Revenues over Expenses	$ (3,147,153)
Interest expense (considered financing activity)	97,394
County tax subsidy, net (considered financing activity)	(749,364)
Interest income (considered investing activity)	44,034
Net income (loss) from operating activities	(3,755,089)
Assets released from restrictions	-
Depreciation & amortization	683,307
Changes in working capital:	
Decrease (Increase) in Accounts receivable, net	1,731,003
Decrease (Increase) in Inventory	19,465
Decrease (Increase) in Prepaid expenses	44,919
Decrease (Increase) in Other Assets	-
Decrease (Increase) in Long Term Investment	(286,840)
Increase (Decrease) in Accounts payable	86,977
Increase (Decrease) in Accrued wages & related liabilities	(256,050)
Increase (Decrease) in Other current liabilities	79,195
Increase (Decrease) in Deposits and Deferred Income	(1,054)
Increase (Decrease) in Payable to 3rd party payors	26,479
Net (gain) loss on sale of equipment	-
Net cash provided by (used in) operating activities	(1,627,688)
Cash Flows From Financing Activities	
Restricted contributions	-
County tax subsidy, net	749,364
Interest expense	(97,394)
Sale of equipment	-
Purchase of property, equipment & intangible assets	(2,491,192)
Increase (Decrease) in capital lease commitments, net	-
Loan Activity	1,015,232
Net cash provided by (used in) financing activities	(823,990)
Cash Flows From Investing Activities	
Interest income	(44,034)
Net cash provided by (used in) investing activities	(44,034)
Net Increase (Decrease) in Cash and Cash Equivalents	(2,495,711)
Cash and Cash Equivalents, 01/01/2020	20,744,349
Cash and Cash Equivalents, 3/31/20	$ 18,248,638
Restricted Cash and Cash Equivalents, 3/31/20	$ 1,413,976
Unrestricted Cash and Cash Equivalents, 3/31/20	16,834,662
	$ 18,248,638



Calculation: Gross Accounts Receivable / Average Daily Revenue

Definition: Considered a key "liquidity ratio" that calculates how quickly accounts are paid.

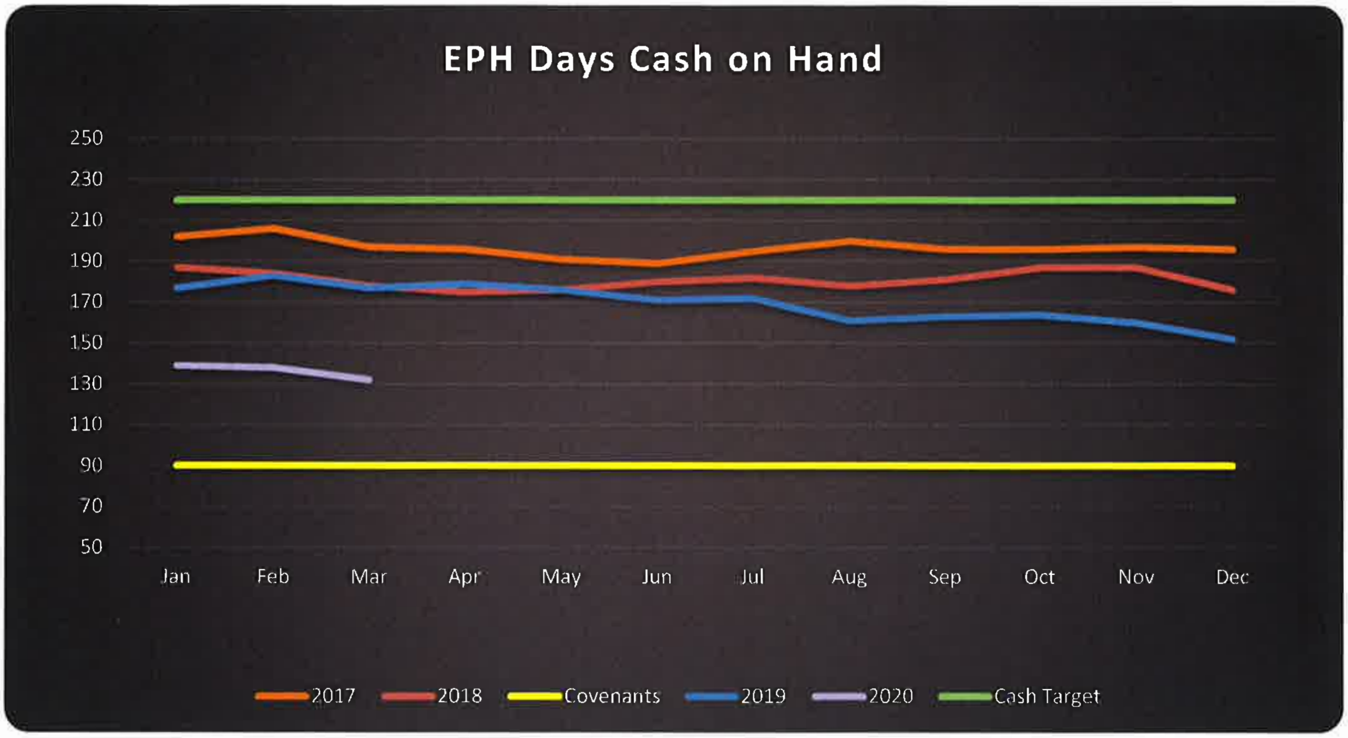
Desired Position: Downward trend below the median, and below average.

How ratio is used: Used to determine timing required to collect accounts. Usually, organizations below the average Days in AR are likely to have higher levels of Days Cash on Hand.

	Apr-19	May	Jun	Jul	Aug	Sep
A/R (Gross)	11,715,714	11,823,575	12,635,331	15,365,170	16,601,424	15,378,349
Days in Month	30	31	30	31	31	30
Monthly Revenue	6,946,431	7,675,605	7,410,739	10,356,792	8,951,469	7,200,698
Daily Revenue	225,023	232,239	242,118	276,556	290,424	288,141
Days in AR	**52.1**	**50.9**	**52.2**	**55.6**	**57.2**	**53.4**

	Oct	Nov	Dec	Jan	Feb	Mar-20
A/R (Gross)	14,173,824	13,806,401	14,575,357	14,237,980	13,759,900	11,257,627
Days in Month	31	30	31	31	29	31
Monthly Revenue	7,808,340	6,340,531	7,414,874	6,856,115	7,238,504	5,214,133
Daily Revenue	260,440	234,611	234,389	224,038	236,368	212,184
Days in AR	**54.4**	**58.8**	**62.2**	**63.6**	**58.2**	**53.1**

ESTES PARK HEALTH
Days Cash on Hand
March 31, 2020



Calculation: Total Unrestricted Cash on Hand / Daily Operating Cash Needs

Definition: This ratio quantifies the amount of cash on hand in terms of how many "days" an organization can survive with existing cash reserves.

Desired Position: Upward trend, above the median--AND above Bond Covenant Minimums

How ratio is used: This ratio is frequently used by bankers, bondholders and analysts to gauge an organization's liquidity--and ability to meet short term obligations as they mature.

Note: At EPH, the Bond Refunding/Loan documents require a minimum level of 90 days cash be maintained. It changed to 90 effective March 1, 2016.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2020	139	138	132									
2019	177	183	177	179	176	171	172	161	163	164	160	152
2018	187	184	178	175	176	180	182	178	181	187	187	176
2017	202	206	197	196	191	189	195	200	196	196	197	196
Bond Covenant MIN	90	90	90	90	90	90	90	90	90	90	90	90
Cash Target	220	220	220	220	220	220	220	220	220	220	220	220

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
Forecast 2020

	FISCAL YEAR 2019 Unaudited		YEAR TO DATE 1st Qtr 2020			FORECAST FY 2020						
REVENUE	Actual	Budget	Actual	Budget	Var	2nd Quarter	3rd Quarter	4th Quarter	FY 2020 Forecast	Budget 2020	Variance	% Variance
Patient Revenue												
In-Patient	17,041,486	$ 18,982,874	3,029,481	5,134,312	-41%	2,436,498	3,795,374	3,588,309	12,849,662	19,985,112	(7,135,450)	-35.7%
Out-Patient	74,155,170	$ 74,847,893	16,279,271	16,468,107	-1%	9,811,456	17,068,838	13,972,570	57,132,134	77,722,701	(20,590,567)	-26.5%
TOTAL PATIENT REVENUE	91,196,656	93,830,767	19,308,751	21,602,419	-11%	12,247,953	20,864,212	17,560,878	69,981,796	97,707,813	(27,726,017)	-28.4%
Less Contractual Allowances	(41,787,005)	(42,573,741)	(8,894,591)	(9,721,089)	9%	(5,144,140)	(8,762,969)	(7,375,569)	(29,392,354)	(43,968,516)	14,576,162	-33.2%
Less Patient Uncollectable Allowa	(1,071,462)	868,852	331,040	(216,025)	253%	(244,959)	(417,284)	(351,218)	(1,399,636)	(977,078)	(422,558)	43.2%
TOTAL REVENUE DEDUCTIO	(42,858,467)	(43,442,593)	(8,563,551)	(9,937,114)	14%	(5,389,099)	(9,180,253)	(7,726,786)	(30,791,990)	(44,945,594)	14,153,604	-31.5%
			0	46.0%		44.0%	44.0%	44.0%	44.0%	46.0%		0.0%
NET PATIENT REVENUE	48,338,189	50,388,174	10,745,200	11,665,305	-8%	6,858,854	11,683,959	9,834,092	39,189,806	52,762,219	(13,572,413)	-25.7%
Other Operating Revenue	728,242	875,430	118,863	208,983	-43%	118,863	250,000	250,000	737,726	988,559	(250,833)	-25.4%
TOTAL OPERATING REVENUE	49,066,430	51,263,604	10,864,062	11,874,288	-9%	6,977,716	11,933,959	10,084,092	39,927,532	53,750,778	(13,823,246)	-25.7%
EXPENSES												
Wages	23,027,643	22,538,636	6,069,131	6,192,266	2%	5,677,586	6,308,429	6,308,429	24,363,576	25,117,554	(753,978)	-3.0%
Benefits	5,856,277	5,559,409	1,560,727	1,528,953	-2%	1,580,401	1,756,001	1,756,001	6,653,131	6,796,957	(143,826)	-2.1%
Contract Labor	6,548,453	6,473,841	1,850,442	1,578,554	-17%	1,114,904	1,592,721	1,592,721	6,150,788	6,356,716	(205,928)	-3.2%
Medical Supplies	4,347,458	4,316,834	1,360,464	1,120,874	-21%	787,304	1,124,720	1,124,720	4,397,209	4,495,035	(97,826)	-2.2%
Non-Medical Supplies	1,240,040	968,826	350,012	251,388	-39%	175,707	251,009	251,009	1,027,737	1,004,416	23,321	2.3%
Purchased Services	5,447,478	5,477,497	1,789,162	1,817,782	2%	1,240,355	1,378,172	1,378,172	5,785,862	5,952,299	(166,437)	-2.8%
Other Operating Expenses	3,443,496	3,643,125	1,043,976	1,058,858	1%	369,187	946,632	946,632	3,306,427	3,898,755	(592,328)	-15.2%
Depreciation & Amortization	2,081,217	2,230,460	683,307	761,559	10%	788,223	788,223	788,223	3,047,976	3,126,228	(78,252)	-2.5%
Interest/Bank Fees	395,453	411,187	97,394	102,798	5%	102,798	102,798	102,798	405,788	411,192	(5,404)	-1.3%
TOTAL OPERATING EXPENSE	52,387,515	51,619,815	14,804,615	14,413,032	-3%	11,836,466	14,248,707	14,248,707	55,138,494	57,159,152	(2,020,658)	-3.5%
OPERATING INCOME (LOSS)	**(3,321,085)**	**(356,211)**	**(3,940,553)**	**(2,538,744)**	**55%**	**(4,858,750)**	**(2,314,748)**	**(4,164,615)**	**(15,210,962)**	**(3,408,374)**	**(11,802,588)**	**-346.3%**
Operating Margin	*-6.8%*	*-0.7%*	*-36.3%*	*-21.4%*		*-69.6%*	*-19.4%*	*-41.3%*	*-38.1%*			
Non-Operating Revenue	3,308,333	2,990,000	805,983.00	862,677	-7%	871,128	871,128	521,128	3,069,367	3,484,512	(415,145)	-11.9%
Non-Operating Expense	(45,887)	(71,990)	(12,585)	(13,200)	5%	(12,585)	(12,585)	(12,585)	(50,340)	(72,840)	22,500	-30.9%
EXCESS REVENUES (EXPENSES)	(58,639)	2,561,799	(3,147,155)	(1,689,267)	86%	(4,000,207)	(1,456,205)	(3,656,072)	(12,191,935)	3,298	(12,195,233)	
Gift to Purchase Capital Assets	102,095	0	-	100,000		400,000	-	-	400,000	300,000	100,000	33.3%
INCREASE (DECREASE) IN NET ASSETS	**43,456**	**2,561,799**	**(3,147,155)**	**(1,589,267)**	**98%**	**(3,600,207)**	**(1,456,205)**	**(3,656,072)**	**(11,791,935)**	**303,298**	(12,095,233)	
Total Margin	*0.1%*	*5.0%*	*-29.0%*	*-13.4%*		*-51.6%*	*-12.2%*	*-36.3%*		*0.6%*		
EBIDTA	**2,520,126**	**5,203,446**	**(2,366,454)**	**(724,910)**		**(2,709,186)**	**(565,184)**	**(2,765,051)**	**(8,338,171)**	**3,840,718**		

Estes Park Health
Assumptions - Forecast thru the COVID-19 Event
Apr-20

	May/June	3rd Qtr	FY 2020
Revenues	March '20 saw a 31% decline in Revenues, across the board. Accordingly 3rd Qtr results showed an 11% loss of Revenues. Notably in Medsurg, Emergency Dept, Surgery, Radiology, Lab and Rehab. Expectations for April are approx 40% decline in Revenues With the potential of a change in "Stay at Home" restrictions, EPH could potentially see a gradual increase in patient visits, currently estimated about 5% per week. Resulting in potentially up to 50% of average (defined as budget) by end of June.	As time progresses thru the summer, and if luck holds up, expectations could yield a potential recovery of 70% by end of September.	By end of year, expectation (and hope) could allow for a continued 80% of average by end of the year.
Expenses	Through April, expenses are expected to remain normal, as was the promise to the staff. Funds are promised to cover payroll for an 8 week period. Other spending is closely monitored. For May and June, expectations are to reduce Salary costs by up to 10%, including several initiatives. Contract Labor, other than Pediatric Call, is expected to be eliminated.	For July thru September, with Revenues anticipated at 70% of normal, the hospital will try to keep expenses at 80%. However forecasting budgeted expense	The same for year end, if Revenues are 80% recovery, so should Expenses.
Earnings	The first quarter is reporting a net loss of $3M.		
	April thru June (2nd Qtr) is expecting further loss.		Year end expectations for net loss are between $5M and 7M.
Cash Flow	Loss of Cash thru March is $2M	Thru September Cash is expected to decrease by $5M.	End of year is expecting Days Cash on Hand to be aroun 125.
Impact of Stimulus Funds	Thru April 22, total funds received from Medicare and other Stimulus programs is $5.1M. However, as of this report, $4.4M must be repaid over 5 months beginning in August. There are efforts underway to request these funds be forgivable. Pending. The hospital was successful in obtaining a forgivable loan from the CARES Act and the Payroll Protection Program of $4.8M. Expected receipt is early in the week of April 27. This is specifically for covering Payroll costs for 8 weeks.	With an added infusion of $10M in cash, availability should not be a problem. However, much depends on the possibility of having to repay $4.4M.	Assuming a repayment of the $4.4M, and the Revenue and Expense projections are close, cash as end of the year will likely show a net loss of $4M, thus reducing Days Cash on Hand to somewhere near 120 days.