Agenda

Estes Park Health Meeting - Finance

Wednesday, Septebmer 30, 2020

4:00 - 6:00 p.m.

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

	Regular Session	Mins.	Procedure	Presenter(s)
1	Call to Order/Welcome	1	**Action**	Dr. David Batey
2	Approval of the Agenda	1	**Action**	Board
3	Public Comments on Items Not on the Agenda	2	Information	Public
4	Introductions	2	Information	Board
5	Discussion of EPH Financials 2019 and Industry Trend	20	Information	Mr. James Mann, CPA Clifton Larsen Alllen
6	Questions about 2019 and 2020 EPH Financials	20	Information	Mr. Tim Cashman
7	Discussion about Cost Report and Impact to the Living Center	20	Discussion	Mr. Dan Given, CPA Stroudwater Associates
8	Question and Answer about Living Center Financials	20	Discussion	Board
9	Adjournment	1	**Action**	Dr. David Batey
	Total Session Mins.	87		

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.

Report on 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 7 and the budgeted and actual revenues and expenses on page 33 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

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 8.

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.

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 Position	$ 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 DISTRICT'S ASSETS AND LIABILITIES (CONTINUED)

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.

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 EXPENSES	(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.

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 DISTRICT'S 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 DISTRICT'S 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 (the Hospital); the Prospect Park Nursing Facility (the Nursing Facility), a 52-bed skilled nursing facility; and the Physician Clinic (the 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 IRS as exempt from federal income taxes under Internal Revenue Code (IRC) 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 (deficit) 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 IRS as exempt from federal income taxes under IRC Section 501(a). The Foundation is exempt from income taxes under Section 501(c)(3) of the IRC 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.

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)

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 began 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)

Hospital and Clinic (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 ended 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.

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	$ -	$ -

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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 limit 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.

NOTE 5 DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investment Income

Investment income consisted of the following for the years ended 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
Total	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
Total	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 expected 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 30 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 1 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 (CONTINUED)

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,	Amount
2020	$ 239,956
2021	417,831
2022	426,188
2023	434,711
2024	443,406
Thereafter	2,523,333
Total	$ 4,485,424

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 1% (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 EXPENSES	$ (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.

CliftonLarsonAllen LLP
CLAconnect.com

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.

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

CliftonLarsonAllen LLP

Denver, Colorado
April 27, 2020

ESTES PARK HEALTH

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

CFO Report
August 2020

Executive Summary

For the month of August, earnings were $1.3M and compared to a budget of $1.4M or 6%. Gross Revenues were $9.0M and 14% under a budget of $10.5M. Expenses were $4.7M and 2% better than budget

Operating Income YTD is a loss of $6.1M compared to a budgeted loss of $1.2M, obviously due to the impact of COVID-19.

For the month, Operating Revenues YTD are down 16% from Budget and 7% down from last year. Due to the Covid-19 pandemic the hospital had anticipated a recovery to a 20% drop in Revenues. Year to date, expectations indicate a potential recovery of Revenues to 80%.

Expenses for the year are 3% under budget. The 10% rollback of wages for the highest earners was initiated June 1, resulting in a drop in Salary expense. This is expected to continue. Other expenses continue to report slightly less than Budget.

Days in Accounts Receivable continue to rebound from the Epic conversion in November; from a high of 64 to a remarkable 44.3. And, Days Cash on Hand are up significantly to 242, due specifically to the Stimulus and Loan funds. The YTD Net Income (Change in Net Assets) is reporting ($3.4M) loss before a projected recognition of Stimulus of $10.1M in Cash, to cover this shortfall, for 2020.

Statistics

	YTD	*Budget*	*2019*
Inpatient Days	434	636	657
Swing Bed	231	317	175
Births	36	56	52
ER Visits	2,992	3,781	4,175
Urgent Care Visits	835	2,000	0
Ambulance Trips	1,251	1,495	1,495
Clinic Visits	12,350	16,059	17,727
Surgeries (not incl GI)	241	261	260
GI Procedures	262	294	264

Pain Procedures	163	331	243
Lab Tests	46,376	52,602	52,602
Radiology Exams	6,163	7,887	7,887
Rehab Visits	4,837	7,266	7,280
Home Health/Hospice	6,662	6,126	6,5001
Living Center Days	7,149	9,234	8,379

Balance Sheet

Days Cash on Hand are artificially high at 242, due specifically to the COVID Stimulus funds. It is expected, however, that we will continue to slowly burn through these funds until the hospital can settle either increasing revenues or reduce expenses.

As a note, the Accrued Liabilities, the Est Third-Party Settlement and Short-Term Notes Payable does reflect the recording of Stimulus Funds, the Advanced Payment from Medicare and the Payroll Protection Program, totaling $14.5M. When there is confirmation that any of these advances are forgivable, those will be recognized as Other Non-Operating Income

Forecast for 2020

Please note an attached Forecast. Assumptions were made regarding recovery of Revenues and some Expense reductions, however, given loss of patient visits earlier in the year, and the current recovery period, it is anticipated that Revenues will recover to approximately 80% of Budget. The challenge will be managing expenses with less Revenues, going forward.

This Forecast does indicate the recognition of most of the Stimulus funds ($10.1M) and the projection of a modest recovery of business volumes and revenues. As a result, the year should report modestly favorable, due to the temporary injection of government funding.

Summary

The month of August is reporting 7% decrease in net revenues and YTD decrease of 16%., due to the COVID pandemic. Assumptions include the continued possibility of a recovery to approximately 80% of normal, by year end. Earnings continue to reflect the decrease in revenues. Leadership continues to explore opportunities for long-term reductions in Expense and programmatic changes. Even with the pandemic, trends and long-term forecasts indicate a continued decrease in reimbursement for services. While expenses continue to increase, net revenues in the healthcare industry are predicted to decline.

Estes Park Health

Financial Overview

Month Ended August 31, 2020

FINANCIAL RATIOS

	July	Aug	RED	YELLOW	GREEN
Days in Accounts Receivable	46.3	44.3	> 60	50 - 60	< 50
Days Cash on Hand	234	242	< 125	125 - 224	> 225
Debt Service Coverage Ratio	-1.40	-0.91	<1.25	1.25 - 2.0	> 2.0
Operating Margin (12 Mo. Rolling)	-18.9%	-18.4%	< 2.0%	2% - 4.99%	> 5%
Total Margin (12 Mo. Rolling)	-11.3%	-9.9%	< 5.0%	5% - 9.99%	> 10.0%

OTHER INDICATORS

	July	Aug	Budget	YTD	YTD Budget
Total Deductions from Revenue %	47.8%	40.8%	46.0%	44.5%	46.0%
Operating Margin	$34,869	$642,499	$976,175	($6,126,188)	($1,241,060)
Operating Margin %	0.8%	12.0%	16.9%	-19.7%	-3.4%
Increase (decrease) in Net Assets	$544,483	$1,310,568	$1,394,372	($3,378,524)	$1,280,991
Total Margin %	12.6%	24.4%	24.1%	-10.8%	3.5%

SUMMARY

Statistics: IP Days are at 127 compared to 100 in July and 124 in August 2019.
Physicians Clinic Visits are at 1774 compared to 2096 in July and 2147 in August 2019.
Surgeries are at 34 compared to 48 in July and 42 in August 2019.

Revenue: August's Gross Patient Revenue is $9,059,425 compared to a budget level of $10,589,251.

Other Operating Revenue: YTD Other Revenues are $217,788 below budget.

Expenses: Total Operating Expenses in August are $93,036 under budget. Salaries and benefits are under budget by $68,478.

Excess Revenues (Expenses): August's increase in Net Assets is $1,310,568 compared to a budget of of $1,394,372. August's Total Margin is 24.4% compared to a budgeted level of 24.1%.

Ratio Analysis: Day's in A/R is at 44.3 which is lower than the industry average of fifty.
Day's Cash on Hand is at 242 compared to July's level of 234 and August 2019 of 161.

Debt Coverage Ratio: August's rolling 12 month ratio is -0.91%. The loan end of year minimum required ratio is 1.25.

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

	MONTH Aug-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	$ 1,507,980	$ 1,956,408	-23%	$ 8,555,755	$ 14,008,633	-39%	$ 12,658,651	-32%
Out-Patient	7,551,445	8,632,843	-13%	46,970,816	53,484,223	-12%	49,773,562	-6%
TOTAL PATIENT REVENUE	9,059,425	10,589,251	-14%	55,526,571	67,492,856	-18%	62,432,213	-11%
Less Contractual Adjustments	(3,580,154)	(4,765,163)	25%	(23,714,666)	(30,371,787)	22%	(28,113,815)	16%
Less Bad Debt Adjustments	(115,939)	(105,893)	-9%	(993,506)	(674,931)	-47%	(1,264,189)	21%
TOTAL REVENUE DEDUCTIONS	(3,696,093)	(4,871,056)	24%	(24,708,172)	(31,046,718)	20%	(29,378,004)	16%
	40.8%	*46.0%*		*41.5%*	*46.0%*		*47.1%*	
NET PATIENT REVENUE	5,363,332	5,718,195	-6%	30,818,399	36,446,138	-15%	33,054,209	-7%
Other Operating Revenue	794	63,921	-99%	322,644	540,422	-40%	518,593	-38%
TOTAL OPERATING REVENUE	5,364,126	5,782,116	-7%	31,141,043	36,986,560	-16%	33,572,803	-7%
EXPENSES								
Wages	1,973,958	2,130,444	7%	16,065,662	16,720,130	4%	14,895,869	-8%
Benefits	684,491	596,483	-15%	4,372,825	4,463,047	2%	4,328,319	-1%
Contract Labor	429,601	537,018	20%	4,178,199	4,242,644	2%	4,284,740	2%
Medical Supplies	434,054	377,993	-15%	3,071,796	3,003,838	-2%	2,925,431	-5%
Non-Medical Supplies	51,426	88,086	42%	714,190	675,727	-6%	891,831	20%
Purchased Services	475,972	454,744	-5%	3,910,367	4,116,554	5%	3,527,097	-11%
Other Operating Expenses	365,285	323,055	-13%	2,623,093	2,660,732	1%	2,287,680	-15%
Depreciation & Amortization	273,252	263,852	-4%	2,052,909	2,070,820	1%	1,347,193	-52%
Interest	33,588	34,266	2%	278,190	274,128	-1%	265,710	-5%
TOTAL OPERATING EXPENSE	4,721,627	4,805,941	2%	37,267,231	38,227,620	3%	34,753,870	-7%
OPERATING INCOME (LOSS)	642,499	976,175	-34%	(6,126,188)	(1,241,060)	-394%	(1,181,067)	-419%
Operating Margin	*12.0%*	*16.9%*		*-19.7%*	*-3.4%*		*-3.5%*	
Non-Operating Revenue	283,084	422,597	-33%	2,262,241	2,457,301	-8%	2,096,724	8%
Non-Operating Expense	(5,880)	(4,400)	-34%	(38,345)	(35,250)	-9%	(33,564)	-14%
EXCESS REVENUES (EXPENSES)	919,703	1,394,372	-34%	(3,902,292)	1,180,991	430%	882,093	542%
Gift to Purchase Capital Assets	390,865	0		523,769	100,000		102,095	
INCREASE (DECREASE) IN NET ASSETS	1,310,568	1,394,372	-6%	(3,378,524)	1,280,991	364%	984,188	443%
Total Margin	*24.4%*	*24.1%*		*-10.8%*	*3.5%*		*2.9%*	
EBDITA	$ 1,617,408	$ 1,692,490	-4%	$ (1,047,425)	$ 3,625,939	-129%	$ 2,597,091	

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

ASSETS	2020 Aug	2020 July	2019 Aug
CASH & CASH EQUIVALENTS	$ 22,718,781	$ 22,028,163	$ 16,172,602
PATIENT ACCOUNTS RECEIVABLE	12,922,671	11,581,546	16,601,424
LESS: ALLOWANCES	(6,405,112)	(5,457,673)	(8,047,856)
NET ACCOUNTS RECEIVABLE	6,517,559	6,123,873	8,553,568
RECEIVABLES FROM OTHER PAYORS	2,263,798	2,079,061	1,893,934
INVENTORY	1,095,184	1,080,086	1,116,672
PREPAID EXPENSES	676,188	394,954	483,994
TOTAL CURRENT ASSETS	**33,271,510**	**31,706,137**	**28,220,770**
NET PROPERTY, EQUIPMENT & INTANGIBLE ASSETS	**33,451,970**	**33,199,865**	**30,776,120**
RESTRICTED ASSETS	**3,915,280**	**3,915,039**	**1,410,083**
OTHER ASSETS	0	0	0
LONG TERM INVESTMENTS	8,253,706	8,253,706	4,782,650
TOTAL OTHER ASSETS	**8,253,706**	**8,253,706**	**4,782,650**
TOTAL ASSETS	**$ 78,892,466**	**$ 77,074,747**	**$ 65,189,623**
LIABILITIES			
ACCOUNTS PAYABLE	867,290	565,920	668,832
ACCRUED EXPENSES	10,588,282	10,324,812	4,250,675
ACCRUED COMP PAYABLE	940,067	1,028,279	1,105,293
ACCRUED INTEREST PAYABLE	61,048	30,524	64,425
EST THIRD-PARTY SETTLEMENT	5,811,882	5,811,882	950,261
SHORT TERM NOTES PAYABLE	5,116,581	5,116,581	
OTHER CURRENT LIABILITIES		0	
CURRENT MATURITIES OF OTHER LONG TERM DEBT	1,085,000	1,085,000	1,060,000
TOTAL CURRENT LIABILITIES	**24,470,150**	**23,962,998**	**8,099,486**
DEPOSITS AND DEFERRED INCOME			
LOANS PAYABLE	15,426,208	15,426,208	13,485,000
LEASES PAYABLE	0	0	0
TOTAL LONG-TERM LIABILITIES	**15,426,208**	**15,426,208**	**13,485,000**
TOTAL LIABILITIES	**39,896,358**	**39,389,207**	**21,584,486**
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT		42,374,632	42,620,949
UNRESTRICTED			
TOTAL NET ASSETS	**42,374,632**	**42,374,632**	**42,620,949**
EXCESS REVENUES YTD	**(3,378,524)**	**(4,689,092)**	**984,188**
TOTAL LIABILITIES & NET ASSETS	**$ 78,892,466**	**$ 77,074,747**	**$ 65,189,623**

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

Utilization	Month Actual	Month Budget	Month Variance To Budget	Year To Date Actual	Year To Date Budget	Year To Date Variance To Budget
Hospital						
In-Patient Days	127	138	-8.0%	805	1171	-31.3%
Out Patient Visits	9534	10616	-10.2%	59266	68681	-13.7%
Living Center						
Resident Days	851	1178	-27.8%	7149	9234	-22.6%
Clinic						
Physicians Clinic Visits	1774	2319	-23.5%	12350	16059	-23.1%

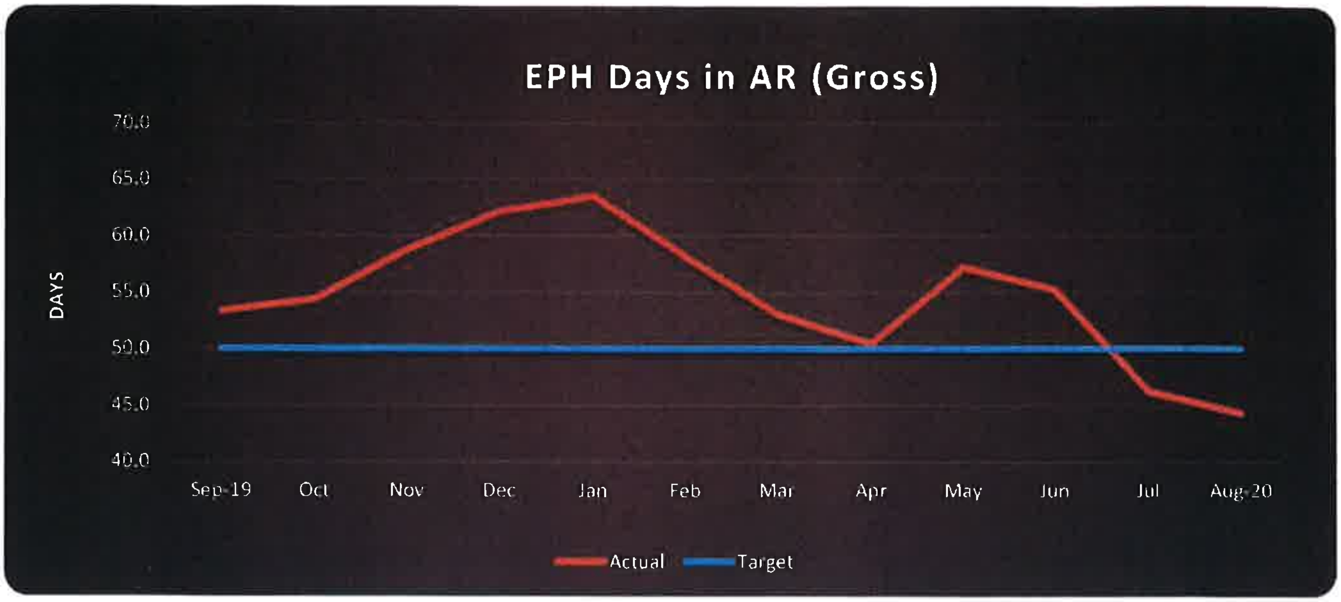
Income Statement	Month Actual	Month Budget	Month To Budget	Month % Variance	Year To Date Actual	Year To Date Budget	Year To Date To Budget	Year To Date % Variance
Hospital								
Operating Revenue (Net)	$ 4,162,558	$ 4,350,554	(187,996)	-4.3%	$ 23,211,109	$ 26,234,614	(3,023,505)	-11.5%
Operating Expenses	3,577,696	3,499,804	(77,892)	-2.2%	27,252,865	27,935,238	682,373	2.4%
Net Operating Income (Loss)	584,862	850,750	(265,888)	-31.3%	(4,041,756)	(1,700,624)	(2,341,132)	-137.7%
Living Center								
Operating Revenue (Net)	269,604	388,798	(119,194)	-30.7%	2,243,798	3,049,796	(805,998)	-26.4%
Operating Expenses	353,320	417,100	63,780	15.3%	3,001,824	3,286,301	284,477	8.7%
Net Operating Income (Loss)	(83,716)	(28,302)	(55,414)	-195.8%	(758,026)	(236,505)	(521,521)	-220.5%
Clinic								
Operating Revenue (Net)	931,964	1,042,764	(110,800)	-10.6%	5,686,136	7,702,150	(2,016,014)	-26.2%
Operating Expenses	790,611	889,037	98,426	11.1%	7,012,542	7,006,081	(6,461)	-0.1%
Net Operating Income (Loss)	141,353	153,727	(12,374)	-8.0%	(1,326,406)	696,069	(2,022,475)	-290.6%
Total								
Operating Revenue (Net)	5,364,126	5,782,116	(417,990)	-7.2%	31,141,043	36,986,560	(5,845,517)	-15.8%
Operating Expenses	4,721,627	4,805,941	84,314	1.8%	37,267,231	38,227,620	960,389	2.5%
Net Operating Income (Loss)	642,499	976,175	(333,676)	-34.2%	(6,126,188)	(1,241,060)	(4,885,128)	-393.6%
Total								
Non Operating Revenue (Net)	283,084	422,597	(139,513)	-33.0%	2,262,240	2,457,301	(195,061)	-7.9%
Non Operating Expenses (Net)	(5,880)	(4,400)	(1,480)	-33.6%	(38,345)	(35,250)	(3,095)	-8.8%
Excess of Rev over Exp Before Cap gifts	$ 919,703	$ 1,394,372	$ (474,669)	-34.0%	$ (3,902,293)	$ 1,180,991	$(5,083,284)	-430.4%
Gifts to Purchase Capital Assets	390,865	-	390,865	#DIV/0!	523,769	100,000	423,769	423.8%
Increase (Decrease) in Net Assets	$ 1,310,568	$ 1,394,372	$ (83,804)	-6.0%	$ (3,378,524)	$ 1,280,991	$(4,659,515)	-363.7%

ESTES PARK HEALTH

Statement of Cash Flows (Unaudited)

1/1/20 through 8/31/20

Cash Flows From Operating Activities	
(Deficiency) Excess of Revenues over Expenses	$ (3,378,524)
Interest expense (considered financing activity)	278,190
County tax subsidy, net (considered financing activity)	(2,053,684)
Interest income (considered investing activity)	(79,710)
Net income (loss) from operating activities	(5,233,728)
Assets released from restrictions	(536,470)
Depreciation & amortization	2,052,909
Changes in working capital:	
Decrease (Increase) in Accounts receivable, net	1,655,531
Decrease (Increase) in Inventory	1,222
Decrease (Increase) in Prepaid expenses	4,307
Decrease (Increase) in Other Assets	-
Decrease (Increase) in Long Term Investment	(7,499,726)
Increase (Decrease) in Accounts payable	(2,005,700)
Increase (Decrease) in Accrued wages & related liabilities	296,523
Increase (Decrease) in Other current liabilities	165,995
Increase (Decrease) in Deposits and Deferred Income	5,292,593
Increase (Decrease) in Payable to 3rd party payors	4,407,877
Net (gain) loss on sale of equipment	-
Net cash provided by (used in) operating activities	(1,398,667)
Cash Flows From Financing Activities	
Restricted contributions	536,470
County tax subsidy, net	2,053,684
Interest expense	(278,190)
Sale of equipment	-
Purchase of property, equipment & intangible assets	(3,473,238)
Increase (Decrease) in capital lease commitments, net	-
Loan Activity	8,142,789
Net cash provided by (used in) financing activities	6,981,515
Cash Flows From Investing Activities	
Interest income	79,710
Net cash provided by (used in) investing activities	79,710
Net Increase (Decrease) in Cash and Cash Equivalents	5,662,558
Cash and Cash Equivalents, 01/01/2020	20,971,503
Cash and Cash Equivalents, 8/31/20	$ 26,634,061
Restricted Cash and Cash Equivalents, 8/31/20	$ 3,915,280
Unrestricted Cash and Cash Equivalents, 8/31/20	22,718,781
	$ 26,634,061



Calculation: $\dfrac{\text{Gross Accounts Receivable}}{\text{Average Daily Revenue}}$

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

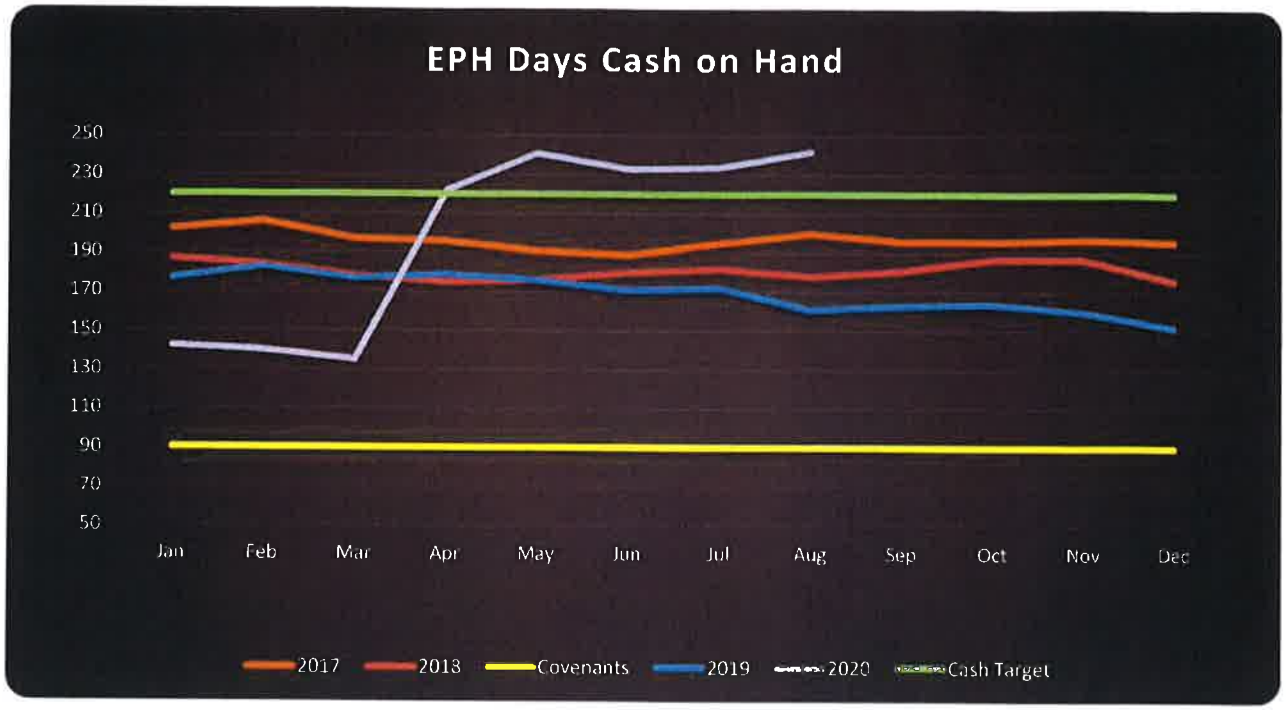
Desired Position: Downward trend below the median, and below average.

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.

	Sep-19	Oct	Nov	Dec	Jan	Feb
A/R (Gross)	15,378,349	14,173,824	13,806,401	14,575,357	14,237,980	13,759,900
Days in Month	30	31	30	31	31	29
Monthly Revenue	7,200,698	7,808,340	6,340,531	7,414,874	6,857,233	7,238,504
Daily Revenue	288,141	260,440	234,611	234,389	224,050	236,380
Days in AR	**53.4**	**54.4**	**58.8**	**62.2**	**63.5**	**58.2**

	Mar	Apr	May	Jun	Jul	Aug-20
A/R (Gross)	11,257,627	9,310,952	9,099,346	10,711,059	11,581,546	12,922,671
Days in Month	31	30	31	30	31	31
Monthly Revenue	5,214,133	4,148,662	5,254,518	8,222,669	9,531,427	9,059,425
Daily Revenue	212,196	184,459	158,884	193,691	250,094	291,451
Days in AR	**53.1**	**50.5**	**57.3**	**55.3**	**46.3**	**44.3**

ESTES PARK HEALTH
Days Cash on Hand
August 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

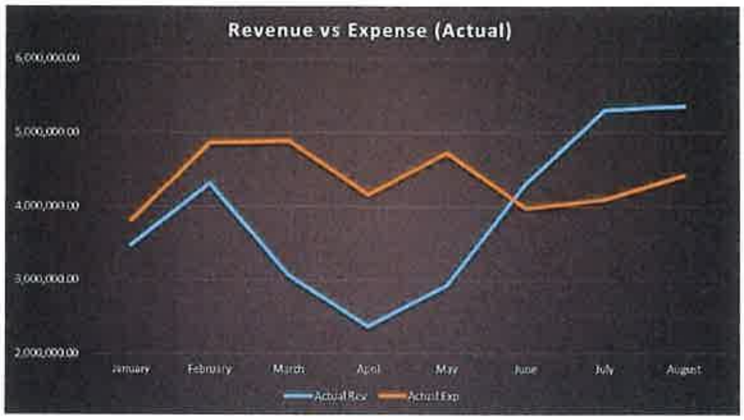
How ratio is used: This ratio is frequently used by bankers, bondholders and analysts to gauge an organization's liquidity--and ability to meet short term obligations as they mature.

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	142	140	135	222	241	233	234	242				
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

August Actual YTD Revenue vs Expense



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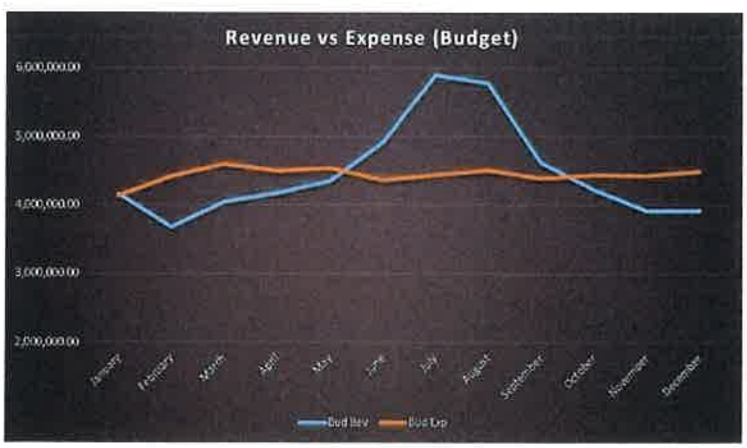
ESTES PARK HEALTH

2020 Budget Revenue vs Expense



4

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Executive Summary
Financials for Estes Park Health and Estes Park Health Living Center

September 22, 2020

Estes Park Health

In 2020, Estes Park Health (EPH) has experienced significant financial losses due to the coronavirus pandemic and associated significant reductions in healthcare activity. EPH was expecting a financial loss of $10 million and a financial crisis in 2020 without the significant financial aid that has been provided by the federal government. A financial crisis from an expected $7.5 million loss in 2021 can be avoided only by immediate and significant expense reductions.

Our goal is for EPH to stay financially strong and able to effectively provide for the healthcare needs of our community.

The 2021 forecast attached (see "*2021 P&L Mitigation Comparison*") compares different scenarios of percent recovery compared to "pre-pandemic levels" with and without significant expense reductions. Without significant expense reductions, EPH will approach a financial crisis in 2021 even if recovery to 80% of "pre-pandemic levels" is achieved. Immediate expense reductions are required to avoid a financial crisis in 2021.

The EPH Senior Management Team has prepared a multi-component Financial Loss Reduction Strategy. One component of this strategy includes the possibility of closing the Estes Park Health Living Center. Other components of the strategy include staff adjustments, elimination of contracts, and reconsideration of some contract labor. Adding all of the expense reductions from all of the components adds up to about $7.5 million, and that may be sufficient if 80% of "pre-pandemic levels" financial performance is realized.

One other matter of note is the responsibility the District has with its banking relationships, current outstanding loans, and the covenants in the loan documents. At year end, the financials must report two important metrics. Days Cash on Hand must be greater than 90 and the Debt Coverage Ratio must be 1.25 or greater. Currently, Days Cash on hand is not a problem. The Debt Coverage ratio is problematic for this year and for the Forecast.

Estes Park Health Living Center

In 2019, the EPH Living Center reported a financial loss of $1.02 million. In 2020, due to the COVID-19 pandemic and loss of Revenues, the Living Center is projected to lose approximately $2.1M. This is due to the impact of the Medicare Cost Report and the associated allocations of cost.

The EPH Living Center financials (see "LC 2019-2020 et al), reflect allocations of cost that are not directly noted on internal documents. These include services of Dietary/Nutrition, Housekeeping & Linen, Facilities, Admin and Supply. Also, an analysis of the Medicare Cost Report impact is noted for 2019.

Background

Estes Park Health

In March of 2020, EPH experienced the impact of the coronavirus pandemic. Patient visits dropped to near zero beginning the third week of March thru April and into May. Recovery was slow. EPH implemented Phase 1 expense reductions through 10% salary reductions, stopping paid time off (vacation) accumulation, contract labor reductions, and department by department expense reductions, among other actions. These Phase I actions through end September were expected to produce approximately $1 million in expense reductions.

Through July 2020, EPH revenues are near 20% below budget Year-to-Date. This has resulted in a very significant financial loss of $4.7 million dollars through July. The Forecast for 2020 through December is a $8.2 million loss if there are no additional expense reductions. Looking at 2021, even if revenues improve to 80% of "pre-pandemic levels," further cost cutting measures need to be implemented to avoid a financial crisis in 2021.

EPH has received government stimulus funds, totaling approximately $14 million, of which $5 million is scheduled for repayment in 2021. The remaining $9 million is eligible to be transformed from loans into grants, pending release of federal guidelines for application. When those guidelines are released, EPH will request changing the $9 million in loans into grants so they can be reported on the Income Statement as Non-Operating Revenue. Meanwhile, the $14 million in federal funds are in the hospital bank account. The Balance Sheet shows these funds, in Cash and Liabilities, and they are currently regarded as loans.

Additional Background

Park Hospital District, dba Estes Park Health (EPH) is a licensed 23 bed Critical Access Hospital (CAH); a quasi-municipal governmental entity, owned and operated by the citizens of the district. As a rural Hospital, EPH provides many healthcare services to the community and its visitors, including the operation of a Skilled Nursing Facility (SNF), known currently as the Estes Park Health Living Center (EPHLC). In Colorado, there are 32 Critical Access Hospitals and 1,350 in the country.

Historically, EPH has operated financially with a marginal profit. This is typical of rural, community hospitals. The cost of operating a hospital is very high and the majority of costs are labor related. There are departments in hospitals that are profitable and some that are not.

Very few hospitals own or manage a SNF. Most SNF's operate at a financial loss. Most CAH facilities have divested their SNF's, not only because of the cash flow loss but also due to the negative impact to their CMS (Centers for Medicare and Medicaid Services) Cost Report.

The CMS Cost Report is an annual report required of every hospital in the country. CAH's are unique in that the CMS Cost Report determines payment for Medicare and Medicaid services. All other hospitals are paid differently. It is essentially a step-down cost accounting method of determining cost of services. Having a SNF as a part of a Critical Access Hospital causes a cost shift that results in a loss of overall Medicare reimbursement.

EPH financial reports must comply with regulations specified as Generally Accepted Accounting Principles (GAAP) and are audited annually. Identical financial reports are used for every acute care, Medicare approved hospital or healthcare system in the country.

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
Full Mitigation Strategy

	FY 2020 Forecast	FY 2021 Forecast @ 70%	FY 2021 Forecast @ 80%	FY 2021 Forecast @ 90%	FY 2021 Forecast @ 100%
Patient Revenue					
In-Patient	13,529,854	11,416,868	12,764,290	14,111,713	15,459,135
Out-Patient	64,810,439	55,741,177	62,319,770	68,898,363	75,476,956
TOTAL PATIENT REVENUE	78,340,293	67,158,045	75,084,060	83,010,076	90,936,091
Less Contractual Allowances	(33,979,728)	(26,948,155)	(30,197,822)	(33,447,488)	(36,697,154)
Less Bad Debt Adjustments	(939,668)	(805,897)	(901,009)	(996,121)	(1,091,233)
Total Revenue Deductions	(34,919,395)	(27,754,052)	(31,098,830)	(34,443,609)	(37,788,387)
	44.6%	*41.3%*	*41.4%*	*41.5%*	*41.6%*
NET PATIENT REVENUE	43,420,898	39,403,993	43,985,230	48,566,467	53,147,704
Other Operating Revenue	734,543	750,000	750,000	750,000	750,000
TOTAL OPERATING REVENUE	44,155,441	40,153,993	44,735,230	49,316,467	53,897,704
EXPENSES					
Wages	23,654,909	21,714,556	21,714,556	21,714,556	21,714,556
Benefits	7,489,993	6,739,693	6,739,693	6,739,693	6,739,693
Contract Labor	6,110,343	4,693,653	4,693,653	4,693,653	4,693,653
Medical Supplies	4,245,403	4,372,765	4,372,765	4,372,765	4,372,765
Non-Medical Supplies	1,168,403	903,455	903,455	903,455	903,455
Purchased Services	4,749,073	4,691,545	4,691,545	4,691,545	4,691,545
Other Operating Expenses	4,766,178	4,409,163	4,409,163	4,409,163	4,409,163
Depreciation & Amortization	3,108,547	3,108,547	3,108,547	3,108,547	3,108,547
Interest/Bank Fees	416,792	416,792	416,792	416,792	416,792
TOTAL OPERATING EXPENSE	55,709,640	51,050,169	51,050,169	51,050,169	51,050,169
OPERATING INCOME (LOSS)	**(11,554,199)**	**(10,896,176)**	**(6,314,939)**	**(1,733,702)**	**2,847,535**
Operating Margin		*-27.1%*	*-14.1%*	*-3.5%*	*5.3%*
Non-Operating Revenue	3,441,583	3,544,830	3,544,830	3,544,830	3,544,830
Non-Operating Expense	(55,125)	(55,125)	(55,125)	(55,125)	(55,125)
NON-OPERATING	3,386,458	3,489,705	3,489,705	3,489,705	3,489,705
EXCESS REVENUES (EXPENSES)	(8,167,741)	(7,406,470)	(2,825,233)	1,756,004	6,337,241
Gift to Purchase Capital Assets	523,770	150,000	150,000	150,000	150,000
Stimulus Funds		0	0	0	0
NET GAIN (LOSS)	**(7,643,971)**	**(7,256,470)**	**(2,675,233)**	**1,906,004**	**6,487,241**
Total Margin	*4.8%*	*-18.1%*	*-6.0%*	*3.9%*	*12.0%*
EBIDA	**(4,118,633)**	**(3,731,132)**	**850,105**	**5,431,342**	**10,012,579**

SUMMARY					
TOTAL OPERATING REVENUE	44,155	40,154	44,735	49,316	53,898
TOTAL OPERATING EXPENSE	(55,710)	(51,050)	(51,050)	(51,050)	(51,050)
OPERATING INCOME (LOSS)	**(11,554)**	**(10,896)**	**(6,315)**	**(1,734)**	**2,848**
Non-Operating	3,386	3,490	3,490	3,490	3,490
Gift to Purchase Capital Assets	524	150	150	150	150
Stimulus Funds		-	-	-	-
Total Margin	*-17.3%*	*-18.1%*	*-6.0%*	*3.9%*	*12.0%*
NET GAIN (LOSS)	**(7,644)**	**(7,256)**	**(2,675)**	**1,906**	**6,487**
EBIDA	**(4,119)**	**(3,731)**	**850**	**5,431**	**10,013**

ESTES PARK HEALTH
Statement of Revenues and Expenses (Unaudited)
No Mitigation Strategy

	FY 2020 Forecast	FY 2021 Forecast @ 70%	FY 2021 Forecast @ 80%	FY 2021 Forecast @ 90%	FY 2021 Forecast @ 100%
Patient Revenue					
In-Patient	13,529,854	11,416,868	13,336,455	14,111,713	15,459,135
Out-Patient	64,810,439	55,741,177	65,113,282	68,898,363	75,476,956
TOTAL PATIENT REVENUE	78,340,293	67,158,045	78,449,737	83,010,076	90,936,091
Less Contractual Allowances	(33,979,728)	(26,948,155)	(31,577,749)	(33,447,488)	(36,697,154)
Less Bad Debt Adjustments	(939,668)	(805,897)	(941,397)	(996,121)	(1,091,233)
Total Revenue Deductions	(34,919,395)	(27,754,052)	(32,519,146)	(34,443,609)	(37,788,387)
	44.6%	*41.3%*	*41.5%*	*41.5%*	*41.6%*
NET PATIENT REVENUE	43,420,898	39,403,993	45,930,591	48,566,467	53,147,704
Other Operating Revenue	734,543	750,000	750,000	750,000	750,000
TOTAL OPERATING REVENUE	44,155,441	40,153,993	46,680,591	49,316,467	53,897,704
EXPENSES					
Wages	23,654,909	24,364,556	24,364,556	24,364,556	24,364,556
Benefits	7,489,993	7,714,693	7,714,693	7,714,693	7,714,693
Contract Labor	6,110,343	6,293,653	6,293,653	6,293,653	6,293,653
Medical Supplies	4,245,403	4,372,765	4,372,765	4,372,765	4,372,765
Non-Medical Supplies	1,168,403	1,203,455	1,203,455	1,203,455	1,203,455
Purchased Services	4,749,073	4,891,545	4,891,545	4,891,545	4,891,545
Other Operating Expenses	4,766,178	4,909,163	4,909,163	4,909,163	4,909,163
Depreciation & Amortization	3,108,547	3,201,803	3,201,803	3,201,803	3,201,803
Interest/Bank Fees	416,792	429,295	429,295	429,295	429,295
TOTAL OPERATING EXPENSE	55,709,640	57,380,929	57,380,929	57,380,929	57,380,929
OPERATING INCOME (LOSS)	**(11,554,199)**	**(17,226,936)**	**(10,700,338)**	**(8,064,462)**	**(3,483,225)**
Operating Margin		*-42.9%*	*-22.9%*	*-16.4%*	*-6.5%*
Non-Operating Revenue	3,441,583	3,544,830	3,544,830	3,544,830	3,544,830
Non-Operating Expense	(55,125)	(55,125)	(55,125)	(55,125)	(55,125)
NON-OPERATING	3,386,458	3,489,705	3,489,705	3,489,705	3,489,705
EXCESS REVENUES (EXPENSES)	(8,167,741)	(13,737,230)	(7,210,632)	(4,574,756)	6,480
Gift to Purchase Capital Assets	523,770	150,000	150,000	150,000	150,000
Stimulus Funds		0	0	0	0
NET GAIN (LOSS)	**(7,643,971)**	**(13,587,230)**	**(7,060,632)**	**(4,424,756)**	**156,480**
Total Margin	*4.8%*	*-33.8%*	*-15.1%*	*-9.0%*	*0.3%*
EBIDA	**(4,118,633)**	**(9,956,132)**	**(3,429,534)**	**(793,658)**	**3,787,579**

SUMMARY					
TOTAL OPERATING REVENUE	44,155	40,154	46,681	49,316	53,898
TOTAL OPERATING EXPENSE	(55,710)	(57,381)	(57,381)	(57,381)	(57,381)
OPERATING INCOME (LOSS)	**(11,554)**	**(17,227)**	**(10,700)**	**(8,064)**	**(3,483)**
Non-Operating	3,386	3,490	3,490	3,490	3,490
Gift to Purchase Capital Assets	524	150	150	150	150
Stimulus Funds		-	-	-	-
Total Margin	*-17.3%*	*-33.8%*	*-15.1%*	*-9.0%*	*0.3%*
NET GAIN (LOSS)	**(7,644)**	**(13,587)**	**(7,061)**	**(4,425)**	**156**
EBIDA	**(4,119)**	**(9,956)**	**(3,430)**	**(794)**	**3,788**

Summary	FY 20 Forecast	Full Mitigation	No Mitigation	Mitigation Keep LC
TOTAL OPERATING REVENUE	44,155	44,735	46,681	46,681
TOTAL OPERATING EXPENSE	(55,710)	(51,050)	(57,381)	(54,356)
OPERATING INCOME (LOSS)	**(11,554)**	**(6,315)**	**(10,700)**	**(7,675)**
Non-Operating	3,386	3,490	3,490	3,490
Gift to Purchase Capital Assets	524	150	150	150
Stimulus Funds		-	-	-
Total Margin	*-17.3%*	*-6.0%*	*-15.1%*	*-8.6%*
NET GAIN (LOSS)	**(7,644)**	**(2,675)**	**(7,061)**	**(4,036)**
EBIDA	**(4,119)**	**850**	**(3,430)**	**(405)**

ESTES PARK HEALTH

Statement of Revenues and Expenses (Unaudited)

Mitigation Strategy but Keep the Living Center

	FY 2020 Forecast	FY 2021 Forecast @ 70%	FY 2021 Forecast @ 80%	FY 2021 Forecast @ 90%	FY 2021 Forecast @ 100%
Patient Revenue					
In-Patient	13,529,854	11,416,868	13,336,455	14,111,713	15,459,135
Out-Patient	64,810,439	55,741,177	65,113,282	68,898,363	75,476,956
TOTAL PATIENT REVENUE	78,340,293	67,158,045	78,449,737	83,010,076	90,936,091
Less Contractual Allowances	(33,979,728)	(26,948,155)	(31,577,749)	(33,447,488)	(36,697,154)
Less Bad Debt Adjustments	(939,668)	(805,897)	(941,397)	(996,121)	(1,091,233)
Total Revenue Deductions	(34,919,395)	(27,754,052)	(32,519,146)	(34,443,609)	(37,788,387)
	44.6%	*41.3%*	*41.5%*	*41.5%*	*41.6%*
NET PATIENT REVENUE	43,420,898	39,403,993	45,930,591	48,566,467	53,147,704
Other Operating Revenue	734,543	750,000	750,000	750,000	750,000
TOTAL OPERATING REVENUE	44,155,441	40,153,993	46,680,591	49,316,467	53,897,704
EXPENSES					
Wages	23,654,909	23,314,556	23,314,556	23,314,556	23,314,556
Benefits	7,489,993	7,139,693	7,139,693	7,139,693	7,139,693
Contract Labor	6,110,343	5,293,653	5,293,653	5,293,653	5,293,653
Medical Supplies	4,245,403	4,372,765	4,372,765	4,372,765	4,372,765
Non-Medical Supplies	1,168,403	1,103,455	1,103,455	1,103,455	1,103,455
Purchased Services	4,749,073	4,691,545	4,691,545	4,691,545	4,691,545
Other Operating Expenses	4,766,178	4,809,163	4,809,163	4,809,163	4,809,163
Depreciation & Amortization	3,108,547	3,201,803	3,201,803	3,201,803	3,201,803
Interest/Bank Fees	416,792	429,295	429,295	429,295	429,295
TOTAL OPERATING EXPENSE	55,709,640	54,355,929	54,355,929	54,355,929	54,355,929
OPERATING INCOME (LOSS)	**(11,554,199)**	**(14,201,936)**	**(7,675,338)**	**(5,039,462)**	**(458,225)**
Operating Margin		*-35.4%*	*-16.4%*	*-10.2%*	*-0.9%*
Non-Operating Revenue	3,441,583	3,544,830	3,544,830	3,544,830	3,544,830
Non-Operating Expense	(55,125)	(55,125)	(55,125)	(55,125)	(55,125)
NON-OPERATING	3,386,458	3,489,705	3,489,705	3,489,705	3,489,705
EXCESS REVENUES (EXPENSES)	(8,167,741)	(10,712,230)	(4,185,632)	(1,549,756)	3,031,480
Gift to Purchase Capital Assets	523,770	150,000	150,000	150,000	150,000
Stimulus Funds		0	0	0	0
NET GAIN (LOSS)	**(7,643,971)**	**(10,562,230)**	**(4,035,632)**	**(1,399,756)**	**3,181,480**
Total Margin	*4.8%*	*-26.3%*	*-8.6%*	*-2.8%*	*5.9%*
EBIDA	**(4,118,633)**	**(6,931,132)**	**(404,534)**	**2,231,342**	**6,812,579**

SUMMARY

TOTAL OPERATING REVENUE	44,155	40,154	46,681	49,316	53,898
TOTAL OPERATING EXPENSE	(55,710)	(54,356)	(54,356)	(54,356)	(54,356)
OPERATING INCOME (LOSS)	**(11,554)**	**(14,202)**	**(7,675)**	**(5,039)**	**(458)**
Non-Operating	3,386	3,490	3,490	3,490	3,490
Gift to Purchase Capital Assets	524	150	150	150	150
Stimulus Funds		-	-	-	-
Total Margin	*-17.3%*	*-26.3%*	*-8.6%*	*-2.8%*	*5.9%*
NET GAIN (LOSS)	**(7,644)**	**(10,562)**	**(4,036)**	**(1,400)**	**3,181**
EBIDA	**(4,119)**	**(6,931)**	**(405)**	**2,231**	**6,813**

Park Hospital District, dba Estes Park Health
ANALYSIS OF LIVING CENTER FINANCIALS
Income Statement 2018, 2019 and 2020 (August)

	2020 YTD	Budget	Estim 2020	Estim 2021	2019	Budget	2018
OPERATING REVENUE:							
I/P Gross Revenue	2,208,368	3,013,888	3,312,552	3,116,005	4,086,277	4,180,162	4,221,234
I/P Bad Debt	-	-	-		(103)	-	(132)
BILLED GROSS REVENUE	**2,208,368**	**3,013,888**	**3,312,552**	**3,116,005**	**4,086,174**	**4,180,162**	**4,221,102**
CONTRACTUALS	(397,506)		(596,259)	(560,881)	(735,511)	-	(759,798)
Misc. Non-OP Revenue	-	-	-	-	-	-	262
TOTAL OPERATING REVENUES	**1,810,862**	**3,013,888**	**2,716,293**	**2,555,124**	**3,350,663**	**4,180,162**	**3,461,304**
OPERATING EXPENSES:							
Salary - Mgr/Director	94,149	64,276	141,224	143,342	97,494	92,197	156,340
Salary - Supervisor	-	38,394	-	-	61,840	95,006	73,954
Salary - RN	330,116	267,200	495,174	502,602	404,763	426,909	431,535
Salary - LPN	81,977	124,723	122,966	124,810	178,412	119,728	131,581
Salary - C.N.A.	231,127	287,429	346,691	351,891	393,845	468,050	344,804
Salary - Ancillary	55,710	123,727	83,565	84,818	138,607	134,478	125,200
Salary - Clerical and Admin	29,013	27,052	43,520	44,172	47,557	38,779	44,446
Salary - General Service	68,464	4,303	102,696	104,236	18,928	6,387	3,787
PTO - Change in Liability	(10,980)	86,400	(16,470)	(16,717)	81,031	124,776	115,492
PTO - Taken	49,994	-	74,991	76,116	35,867	-	-
Medical Directorships	-	8,000	-	-	8,000	12,000	13,000
SALARIES	929,570	1,031,504	1,394,355	1,415,270	1,466,342	1,518,310	1,440,138
Contract Labor- RN	97,973	160,000.00	146,960	146,960	315,345	265,200	438,718
Contract Labor- LPN	22,149	-	33,224	33,224	829	-	3,818
Contract Labor- CNA	143,957	60,000.00	215,936	215,936	228,842	326,400	441,311
Contract Labor - Ancillary	514	100,000.00	350,000	250,000	545,016	591,600	883,846
CONTRACT LABOR	264,593	320,000	746,119	646,119	1,090,032	1,183,200	1,767,693
Retirement	57,286	63,240	85,929	87,218	91,114	92,975	90,510
Retirement Fees	1,629	3,225	2,444	2,480	5,428	6,240	5,754
Benefit Options-Health Insurance	145,553	185,041	218,330	221,604	235,603	259,092	235,861
Benefit Options-Dental Insurance	3,302	3,959	4,953	5,027	6,020	5,532	8,082
Benefit Options-Vision Insurance	460	483	690	700	876	840	817
Benefit Options- Life Insurance	1,345	1,479	2,018	2,048	2,284	2,100	1,969
Benefit Options - LTD	3,170	4,000	4,755	4,826	6,264	5,658	6,292
HSA Pay Clearing			-	-	(74)	-	-
Workers' Compensation	7,014	9,464	10,521	10,679	10,146	15,430	14,641
Unemployment	965	2,100	1,448	1,469	2,397	4,462	4,348
Medicare Tax	12,284	14,680	18,426	18,702	19,675	21,570	19,945
BENEFITS	233,008	287,671	349,512	354,755	379,734	413,899	388,220
WAGES AND BENEFITS	1,427,171	1,639,175	2,489,986	2,416,144	2,936,108	2,523,809	2,712,204
Cost of Drugs	21,854	43,336	32,781	33,764	59,297	30,177	22,691
Billable Supplies	7,666	1,600	11,499	11,844	1,378	-	226
Cost of Oxygen	24,848	16,000	37,272	38,390	35,887	17,946	14,630
Bundled Medical Supplies	30,076	32,000	45,114	46,467	54,552	69,493	61,719
MEDICAL SUPPLIES	84,444	92,936	126,666	130,466	151,114	117,616	99,265
Cost of Raw Food	9,391	10,000	14,087	14,509	15,558	18,882	14,281
Nutritional Suppliments	4,204	4,000	6,306	6,495	6,189	7,932	8,202
Dietary/EVS Paper Supplies	441	600	662	681	637	1,145	877
Office Supplies	3,657	5,600	5,486	5,650	5,285	10,488	13,635
Covid Supplies	440	-	660	680			
Other Supplies	9,907	1,200	14,861	15,306	7,728	4,100	16,960
NON-MEDICAL SUPPLIES	28,040	21,400	42,060	43,322	35,397	42,547	53,954
SUPPLIES	112,484	114,336	168,726	173,788	186,511	160,163	153,220
Consultants	-	16,000	-	-	50,862	12,000	71,594
Contractual Management Services	77,000	128,000	77,000	79,310	-	-	49,814
Maintenance Contract	18,991	12,000	28,487	29,341	17,779	21,555	20,171
Other Contracted Services	89,713	133,336	134,570	138,607	219,745	257,516	108,326
PURCHASED SERVICES	185,704	289,336	240,056	247,258	288,386	291,071	249,906
Dues/Memberships	4,291	2,800	6,437	6,630	3,923	-	3,840
Equip Rental	16,337	4,000	24,506	25,241	24,406	36,000	27,104
License and Permits	2,400	4,000	3,600	3,708	210	5,940	5,940
Insurance - Automobile	2,123	-	3,185	3,280	3,322	2,392	2,471

Park Hospital District, dba Estes Park Health

ANALYSIS OF LIVING CENTER FINANCIALS

Income Statement 2018, 2019 and 2020 (August)

	2020 YTD	Budget	Estim 2020	Estim 2021		2019	Budget	2018
Minor Medical Equipment	6,121	6,800	9,182	9,457		9,083	14,834	82,836
Other Minor Equipment	1,031	1,600	1,547	1,593		3,484	1,500	85,743
Misc Operating Expense	430	400	645	664		3,764	1,931	13,008
Property /Building Rent			-	-		-	-	4,950
Repairs & Maintenance	14	1,600	21	22		-	3,167	4,865
Subscrip/Books/Periodicals	480	400	720	742		2,217	1,331	1,507
Employee Education	275	4,000	413	425		3,235	3,098	3,080
Travel Expense-Employee	137	4,000	206	212		961	5,332	2,518
Meeting Expenses	-	-	-	-		-	353	23
Auto Maintenance Expenses	1,505	200	2,258	2,325		-	1,901	2,472
Employee Service	(1,476)	-	(1,476)	(1,520)		2,572	5,000	5,177
OTHER OPERATING	33,668	29,800	51,240	52,777		57,177	82,779	245,533
PURCH SERVICES & OTHER EXP	219,372	319,136	291,296	300,035		345,563	373,850	495,439
TOTAL OPERATING EXPENSES	**1,759,027**	**2,072,647**	**2,950,008**	**2,889,966**		**3,468,182**	**3,057,822**	**3,360,863**
EBITDA - NON-GAAP	51,835	941,241	(233,715)	(334,842)		(117,519)	1,122,340	100,441
Building Depreciation	64,513	72,000	96,769.50	92,899		104,321	105,000	104,846
Land Improv Depreciation	1,829	2,928	2,743.50	2,634		4,390	4,392	4,390
Equipment Depreciation	12,850	16,000	19,275.00	18,504		24,894	49,200	43,158
DEPRECIATION/AMORTIZATION	79,192	90,928	118,788	114,036		133,605	158,592	152,394
OPERATING INCOME	(27,357)	850,313	(352,503)	(448,879)		(251,124)	963,748	(51,953)
NON-OPERATING REVENUE & EXP								
Non-Cap Contributions Received	-	5,000	-	7,500		5,000	5,000	137,726
Cap Contributions Received			-	-		-	-	10,105
Misc Non Operating Expense			-	-		-	(1,000)	(1,958)
County Tax Revenue	207,057	200,000	310,586	300,000		295,050	271,000	294,478
County Tax Collection Fees	(3,818)	(26,880)	(5,727)	(40,320)		(5,440)	(4,920)	(5,265)
OTHER NON-OPERATING REV	203,239	178,120	304,859	267,180		294,610	270,080	435,086
GAIN (LOSS) BEFORE ALLOCATIONS	**$ 175,882**	**$ 1,028,433**	**$ (47,644)**	**$ (181,699)**		**$ 43,486**	**$ 1,233,828**	**$ 383,133**
COST REPORT IMPLICATIONS	**Estimate**		**Estimate**	**Estimate**				
Revenue	1,810,862		2,716,293	2,555,124		$ 3,349,021		
Reported Direct Expense ***(WS A)***	1,759,027		2,950,008	2,889,966		3,237,012		
Ancillary Expenses *(per cost report D-3)*	35,941		54,989	56,089		53,911		
Allocations *(WS B)*								
Dietary	228,559		342,839	342,839		342,839		
Cafeteria	17,497		26,245	26,245		26,245		
Housekeeping	54,993		82,490	82,490		82,490		
Linen	22,095		33,142	33,142		33,142		
Admin & General	26,668		40,002	40,002		40,002		
Employee Benefits	38,072		57,109	57,109		57,109		
Operation of Plant	80,078		120,117	120,117		120,117		
Central Supply	12,721		19,082	19,082		19,082		
Cost Report Allocation *(WS B)*	480,683		721,025	721,025		721,025		
Total Expenses	2,275,651		3,726,021	3,667,080		4,011,948		
Gain (Loss)	**(464,789)**		**(1,009,729)**	**(1,111,956)**	*b*	**(662,927)**		
Overhead expenses allocated away from EPH	(562,785)		(844,177)	(844,177)	*(a-b)*	(844,177)		
Estim CAH Cost Based Payer Mix	42%		42%	42%		42%		
EPH lost Reimb due to LC	(236,370)		(354,554)	(354,554)		(354,554)		
Net Gain/(loss)	**(701,159)**		**(1,364,283)**	**(1,466,510)**		**(1,017,481)**		

Service Line Performance Analysis

September 24th, 2020
Eric K. Shell, CPA, MBA
Dan Given, CPA

Executive Summary

- Estes Park Health (EPH) is a 25-bed Critical Access Hospital (CAH) providing emergency, inpatient, surgical, OB/GYN, rehabilitative, clinical services , home health, and skilled nursing facility to Estes Park and the surrounding community
- As part of its continually developing strategic plan, EPH is interested in evaluating its current market and the financial performance of the nursing home (Living Center)
- EPH's financial position remains stable; however, increased capital expenditures and a challenging reimbursement environment has prevented revenues from keeping pace with increasing expenses leading to a decline of days cash on hand and operating margin between FY 2016 and FY 2019
- EPH's Primary Service Area (PSA) population is anticipated to grow 9.2% over the next 5 years from 12,746 to 13,888
  - The 65+ age cohort remains the largest population at 3,954 people and is anticipated to have the largest growth at 21.9% adding 867 people over the next 5 years
  - The 18-44 age cohort is anticipated to have the second largest growth rate at 10.3% adding 336

Executive Summary

STROUDWATER

- The Living Center is currently providing a negative contribution margin to EPH of approximately $1.02M
  - Scenario A: The Living Center requires an ADC of 46.8 in order to reach "breakeven"; however, achieving this ADC has not been done in the last 10 years
  - Scenario B: If the Living Center reached the FY 2018 ADC of 36.2 net losses from the Living Center could be reduced to $736K

Methodology & Objectives

STROUDWATER

- Stroudwater determined the Living Center contribution margin impact
  - Objectives
    - Determine the service line contribution margin impact
    - Estimate "breakeven" of the Living Center
    - Quantify Medicare and Medicaid impact on contribution margins using assumptions regarding changes associated with reduction or elimination of services
  - Methodology was as follows:
    - Provide market projections using IBM Watson Data or other resources where available to determine the demographics, future services needs, and current Medicare market share
    - Construct a contribution margin analysis using the 2019 Medicare cost report with consideration of ancillary service revenue generated and corresponding service line cash collections
    - Determine overall EPH cost-based reimbursement impact

FINANCIAL OVERVIEW

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Financial Overview

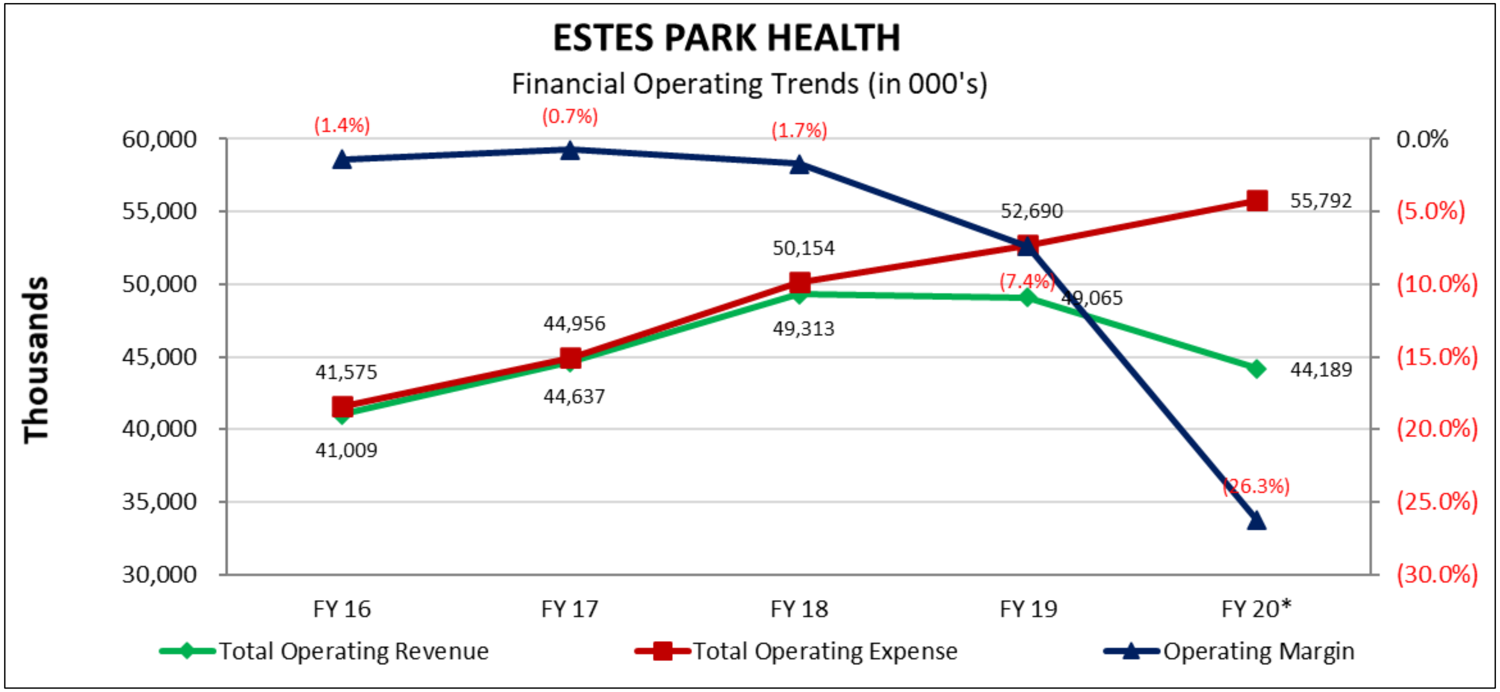
STROUDWATER

ESTES PARK HEALTH		FY 16 Year Ended 12/31/2016		FY 17 Year Ended 12/31/2017		FY 18 Year Ended 12/31/2018		FY 19 Year Ended 12/31/2019		FY 20* YTD Annualized 12/31/2020
Operating Revenue:										
Gross Patient Revenue	$	75,031	$	83,655	$	90,001	$	91,196	$	79,658
Contractual Allowances		(28,280)		(32,777)		(39,728)		(40,916)		(34,516)
Charity Care		(382)		(172)		(1,114)		(813)		-
Bad Debt		(6,370)		(7,128)		(715)		(1,130)		(1,504)
Net Patient Revenue		39,999		43,578		48,444		48,337		43,637
Other Operating Revenue		1,010		1,059		869		728		552
Total Operating Revenue		41,009		44,637		49,313		49,065		44,189
Operating Expenses:										
Salaries & Wages		18,884		19,968		20,942		22,869		24,157
Employee Benefits		4,787		4,979		5,781		5,648		6,323
Professional Fees and Purchased Services		7,159		8,459		10,903		11,798		12,314
Supplies		4,239		4,986		5,716		5,964		4,522
Utilities		469		494		550		584		460
Leases and Rentals		185		244		319		401		317
Insurance		242		278		292		305		241
Repairs and Maintenance		175		221		253		150		119
Depreciation		2,479		2,330		2,069		2,081		3,051
Other		2,264		2,564		2,920		2,493		3,871
Interest		692		433		409		395		419
Total Operating Expense		41,575		44,956		50,154		52,690		55,792
Income (Loss) from Operations		(566)		(319)		(841)		(3,625)		(11,603)
Non-Operating Income (Expense)		2,782		2,973		3,298		3,275		3,337
Excess (Deficit) of Revenues over Expenses		2,217		2,654		2,457		(350)		(8,266)
Capital Grants		372		108		92		102		228
Net Income	$	2,588	$	2,762	$	2,549	$	(248)	$	(8,038)
Cash and Investments, End of Period**	$	21,944	$	22,596	$	22,178	$	20,718	$	30,282
AP and Accrued Liabilities	$	6,135	$	5,631	$	4,507	$	5,949	$	17,761
Days of Operating Cash Available		209		195		170		151		211
Average Payment Period		58		49		35		43		124
Days in Net Accounts Receivable		16		16		14		14		16
Net AR	$	1,702	$	1,855	$	1,881	$	1,835	$	1,939

*Based on interim unaudited financial statements
**Includes board designated funds

Statement of Operations: Summary

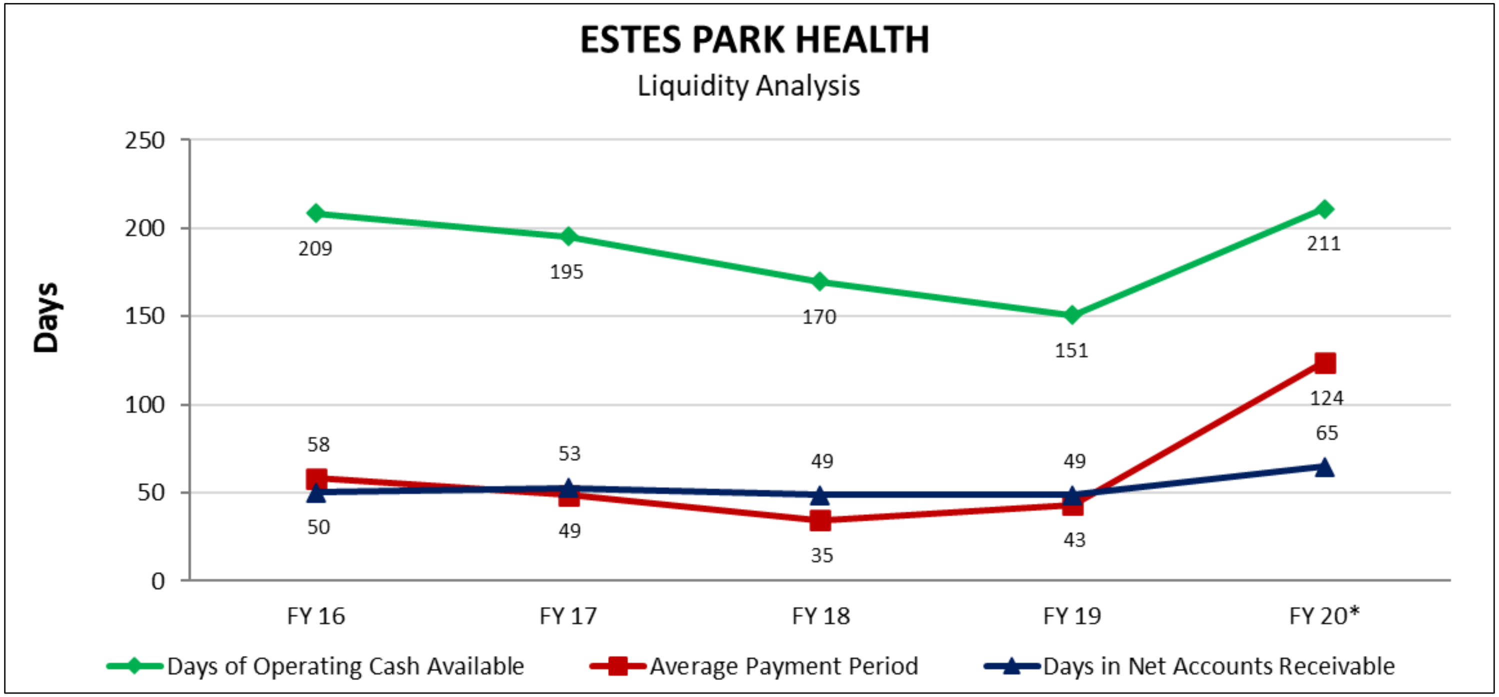
STROUDWATER



- **Operating Revenue** increased 19.9% between FY 2016 and FY 2019 (6.2% growth per year) followed by a sharp decline in 2020 as healthcare utilization fell industry wide due to the COVID-19 Pandemic
  - FY 2019 decreased due to a decline in surgical cases following issues with a sterilizer
- **Operating Expenses** increased approximately 26.7% between FY 2016 and FY 2019 (8.2% growth per year) largely due to increased salary expense (6.6% per year) and professional and purchased services (18.1% per year) stemming from additional services and physician recruitment costs
- **Operating Margin** declined from a high of (0.7%) operating margin in FY 17 to (7.4%) in FY 2019 driven the increase in purchased services

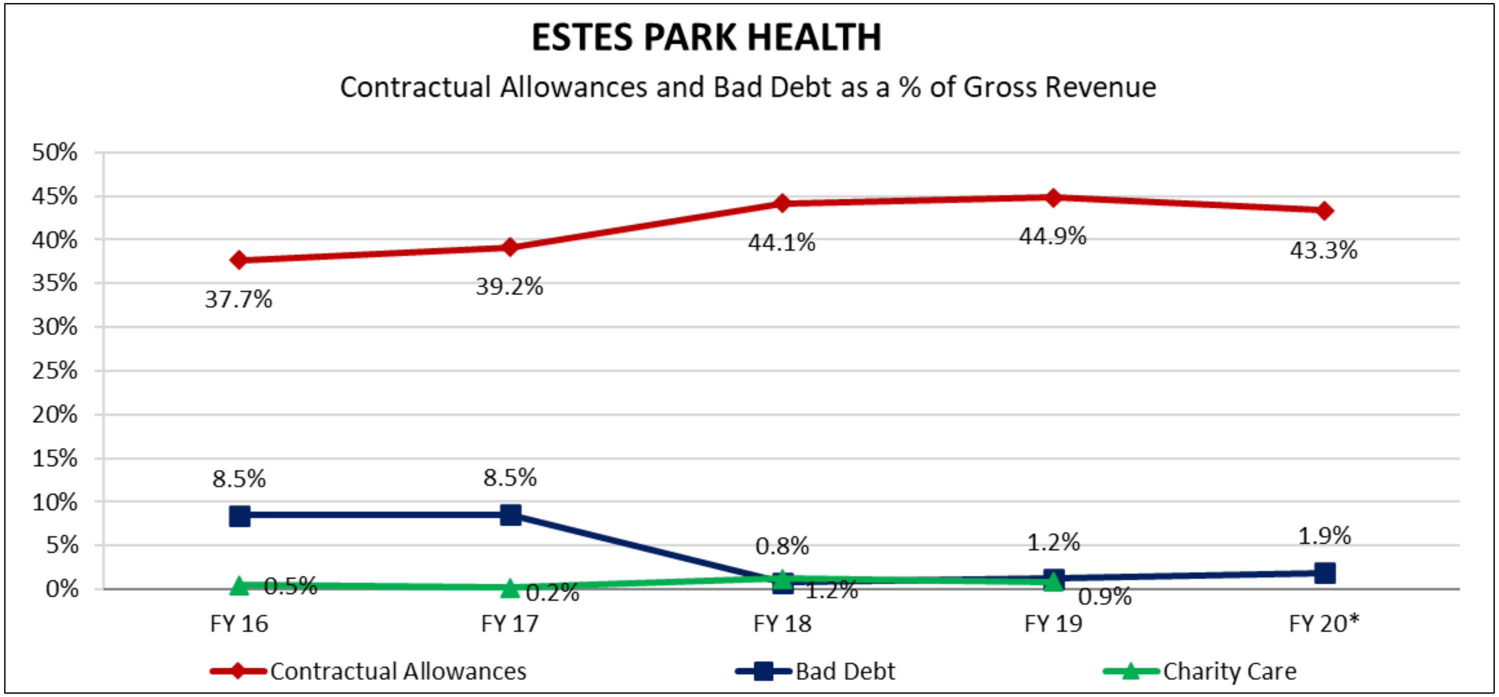
Statement of Operations: Summary

STROUDWATER



- **Days Cash on Hand** decreased from 209 days in FY 2016 to a low of 151 days in FY 2019 due to increased capital expenditures, but increased to 211 in YTD 2020 from various federal COVID-19 Pandemic relief provided to hospitals and businesses
- **Net Days in A/R** decreased from 50 days in FY 2016 to a low of 43 days in FY 2019, but has subsequently increased during the COVID-19 Pandemic (Annualized YTD 2020) due disruptions to the revenue cycle from the EHR conversion
- **Average Payment Period** decreased from 58 days in FY 2016 to 49 days in FY 2019 but increased in YTD 2020 in response to potential paybacks required of certain Covid-19 relief funding

Statement of Operations: Summary



- **Contractual Allowance** increased between from 37.7% to a high of 44.9% between FY 2016 and FY 2019 following regular increases in the chargemaster
- **Bad Debt** decreased from 8.5% in FY 2017 to 0.8% in FY 2018 due to changes in policies and processes improving upfront collections and then increased in FY 2019 due to reserves in preparation for the Electronic Health Record conversion
- **Charity Care** increased as changes in financial policies during FY 2018 shifted bad debt to charity care expense

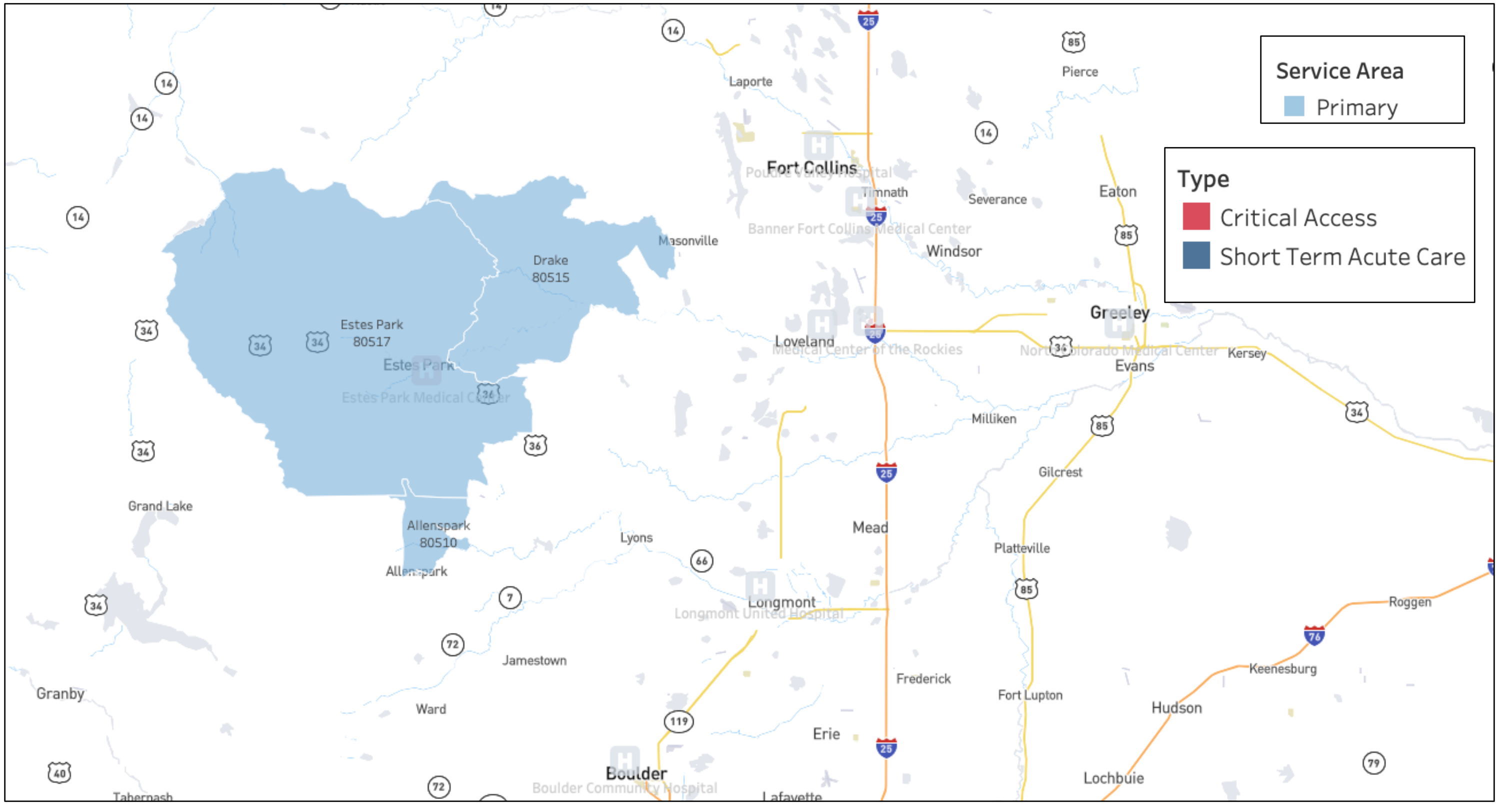
Financial: Summary

- EPH's financial position remains stable; however, increased capital expenditures and a challenging reimbursement environment has prevented revenues from keeping pace with increasing expenses leading to a decline of days cash on hand and operating margin between FY 2016 and FY 2019

MARKET OVERVIEW

Market Overview: Service Area and Hospitals

STROUDWATER



- EPH's Primary Service Area (PSA) is defined by any Zip Code that EPH has 10% or greater Medicare market share
    - EPH's PSA includes Estes Park, Allenpark, and Drake

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Market Overview: Service Area Population

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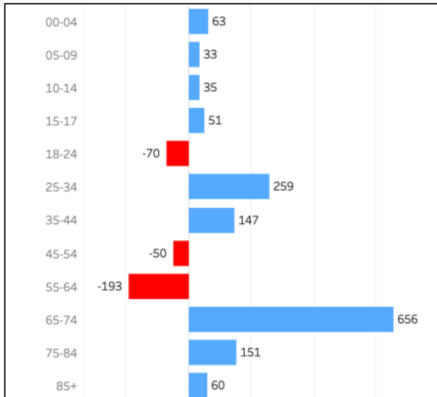
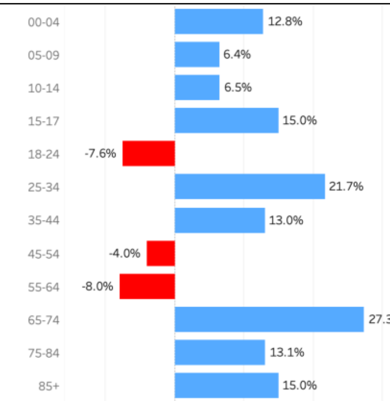
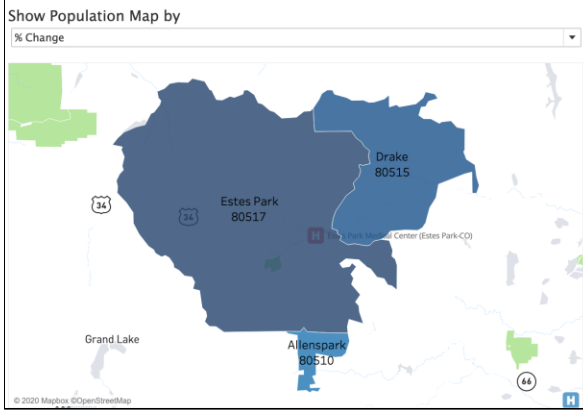


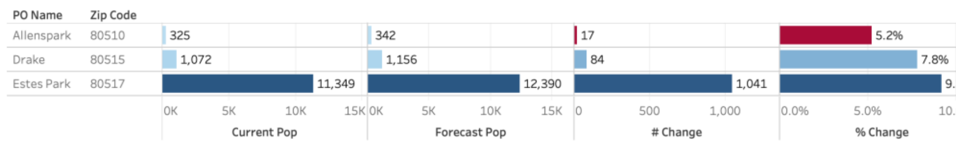
Current Population 12,746

5yr Estimate 13,888

Age Groups	Age Group	Current	Forecast	# Change	% Change
0-17	00-04	492	555	63	12.8%
	05-09	512	545	33	6.4%
	10-14	538	573	35	6.5%
	15-17	341	392	51	15.0%
	Total	1,883	2,065	182	9.7%
18-44	18-24	926	856	-70	-7.6%
	25-34	1,196	1,455	259	21.7%
	35-44	1,129	1,276	147	13.0%
	Total	3,251	3,587	336	10.3%
45-64	45-54	1,236	1,186	-50	-4.0%
	55-64	2,422	2,229	-193	-8.0%
	Total	3,658	3,415	-243	-6.6%
65+	65-74	2,400	3,056	656	27.3%
	75-84	1,153	1,304	151	13.1%
	85+	401	461	60	15.0%
	Total	3,954	4,821	867	21.9%
Grand Total		12,746	13,888	1,142	9.0%



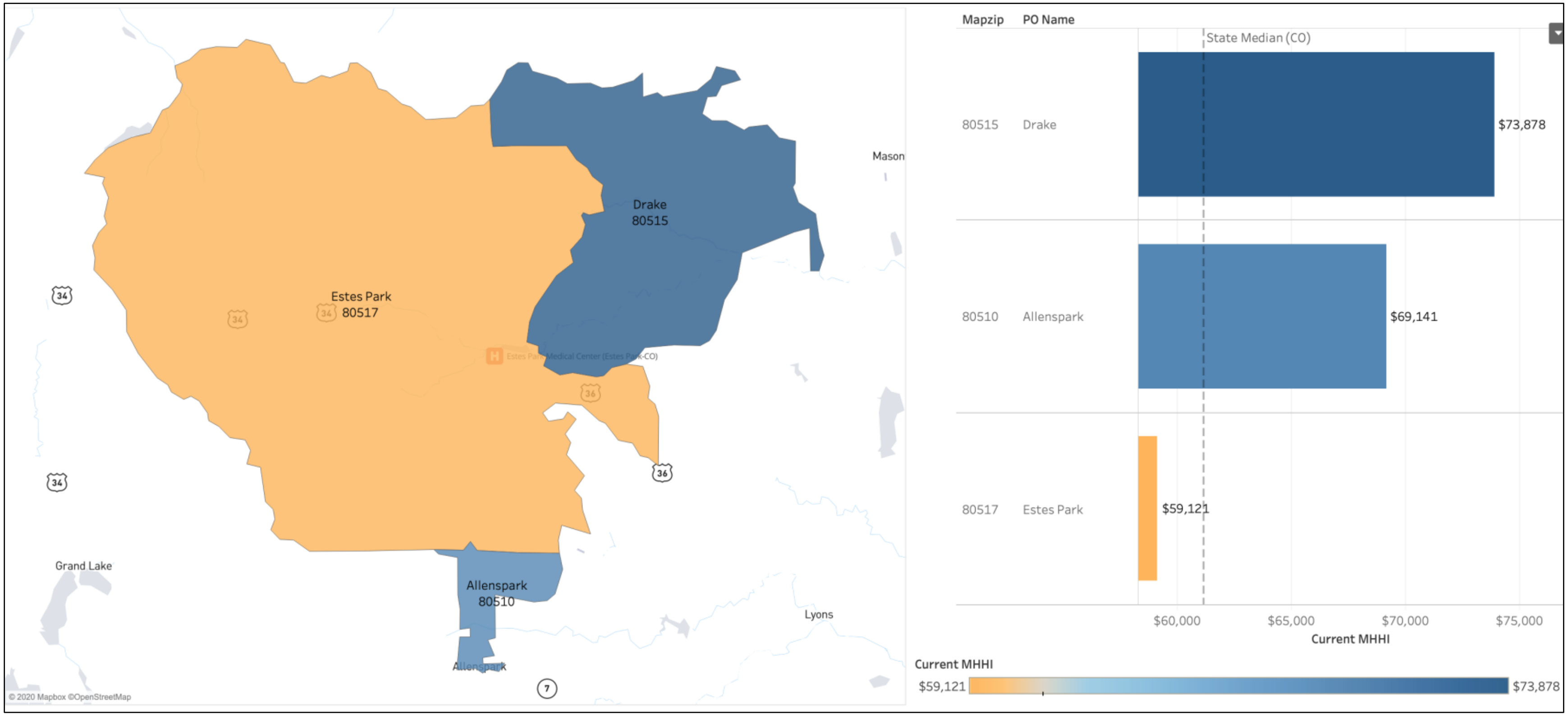




- Primary Service Area Population
  - EPH's population is expected to grow 9.0% from a total population of 12,746 to 13,888 (change of 1,142 people) in 5 years
  - The largest population growth is anticipated to fall within the 65+ age cohort at 21.9% growth over 5 years gaining 867 people

Market Overview: Median Household Income

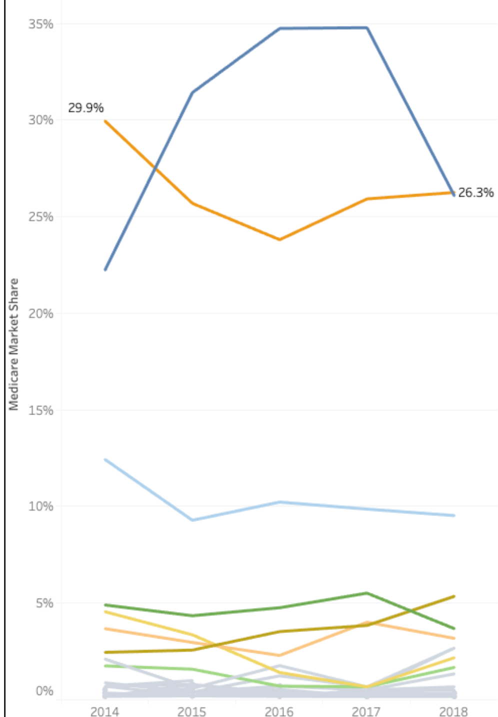
STROUDWATER



- Primary Service Area Median Household Income
  - Estes Park median household income is nearly $10K less than Allenspark and nearly $15K less than Drake

Market Overview: Inpatient Medicare Market Share

STROUDWATER



	Cases (Medicare)					Medicare Market Share				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Grand Total	**571**	**506**	**567**	**598**	**598**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
UCHealth Medical Center of the Rockies (Loveland-CO)	127	159	197	208	156	22.2%	31.4%	34.7%	34.8%	26.1%
Estes Park Medical Center (Estes Park-CO)	171	130	135	155	157	29.9%	25.7%	23.8%	25.9%	26.3%
UCHealth Poudre Valley Hospital (Fort Collins-CO)	71	47	58	59	57	12.4%	9.3%	10.2%	9.9%	9.5%
Boulder Community Hospital (Boulder-CO)	28	22	27	33	22	4.9%	4.3%	4.8%	5.5%	3.7%
UCHealth University of Colorado Hospital (Aurora-CO)	14	13	20	23	32	2.5%	2.6%	3.5%	3.8%	5.4%
Longmont United Hospital (Longmont-CO)	21	15	13	24	19	3.7%	3.0%	2.3%	4.0%	3.2%
Swedish Medical Center (Englewood-CO)	12	3	10	4	16	2.1%	0.6%	1.8%	0.7%	2.7%
McKee Medical Center (Loveland-CO)	26	17	8	4	13	4.6%	3.4%	1.4%	0.7%	2.2%
Rose Medical Center (Denver-CO)		2	7	4			0.4%	1.2%	0.7%	
Chandler Regional Medical Center (Chandler-AZ)	1	2	4	3	1	0.2%	0.4%	0.7%	0.5%	0.2%
Evanston Hospital (Evanston-IL)			4					0.7%		
Lutheran Medical Center (Wheat Ridge-CO)	5	2	4		1	0.9%	0.4%	0.7%		0.2%
North Colorado Medical Center (Greeley-CO)	4	1	4	3	8	0.7%	0.2%	0.7%	0.5%	1.3%
Northern Colorado Rehabilitation Hospital (Johnstown-CO)	10	8	4	4	10	1.8%	1.6%	0.7%	0.7%	1.7%
Yale-New Haven Hospital (New Haven-CT)			4		1			0.7%		0.2%
Banner Del E. Webb Medical Center (Sun City West-AZ)			3					0.5%		
Saint Vincent Indianapolis Hospital (Indianapolis-IN)			3					0.5%		
Sky Ridge Medical Center (Lone Tree-CO)	1	1	3		2	0.2%	0.2%	0.5%		0.3%
Tucson Medical Center (Tucson-AZ)			3	1				0.5%	0.2%	
Aventura Hospital and Medical Center (Aventura-FL)			2					0.4%		
Centennial Peaks Hospital (Louisville-CO)		1	2	2			0.2%	0.4%	0.3%	
Clear Lake Campus Hospital (Webster-TX)			2					0.4%		
Good Samaritan Medical Center (Lafayette-CO)	4	4	2	1	4	0.7%	0.8%	0.4%	0.2%	0.7%

- EPH Inpatient Medicare Market
  - Inpatient Medicare market is calculated using data provided by CMS that filters inpatient stays of Medicare beneficiaries who have zip codes residing in EPH's PSA
    - EPH's Medicare market share has decreased from the high of 29.9% in 2014 to 26.3% in 2018
    - UCHealth Medical Center of the Rockies (Loveland, CO) has gained 3.9% Medicare market share over the same period

DRAFT

Market Overview: Inpatient Estimates and Projections

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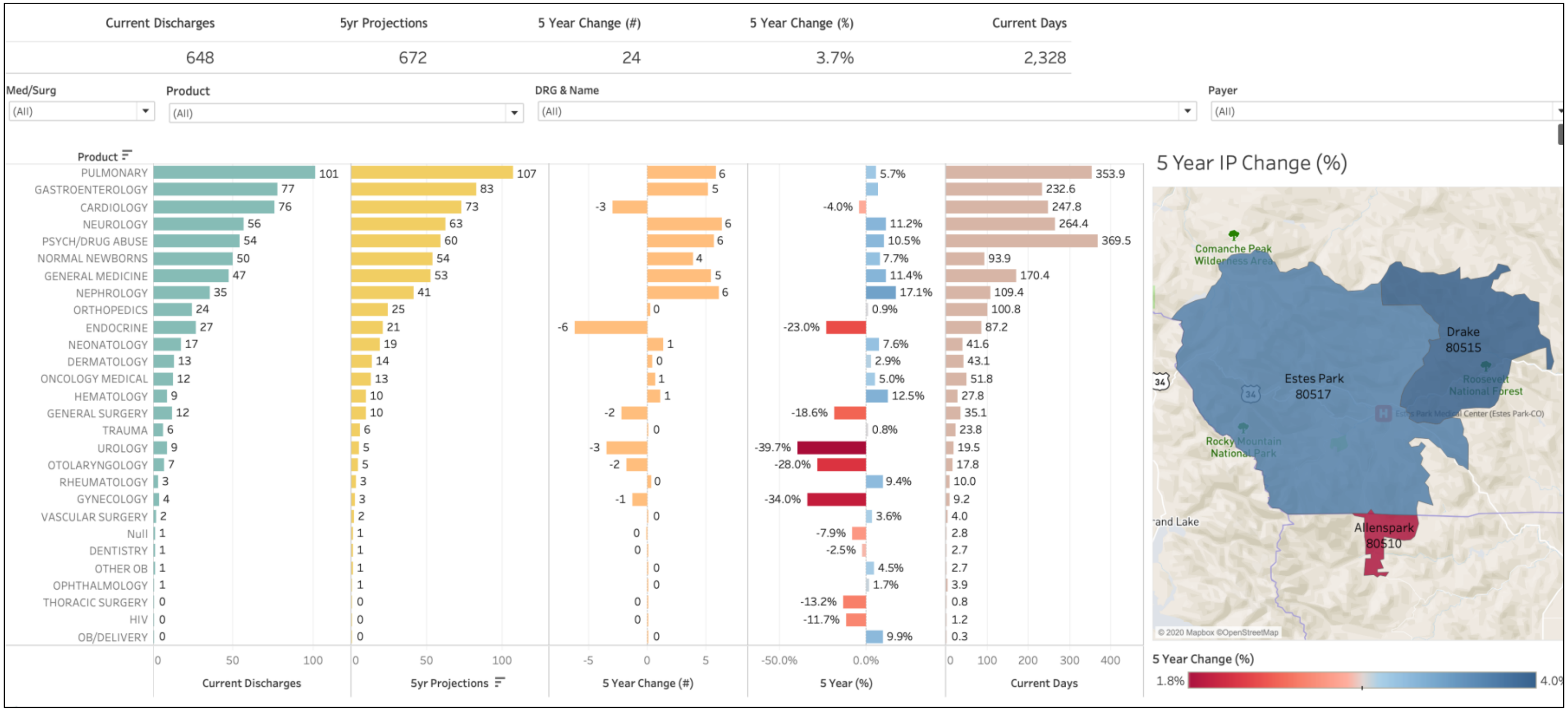

- Inpatient Estimates and Projections by Product Line (Low Acuity)
  - Low acuity inpatient days for the PSA are expected to increase 3.7% over the next five years
  - Pulmonary, gastroenterology, and cardiology are the leading inpatient stays

Market Overview: Summary

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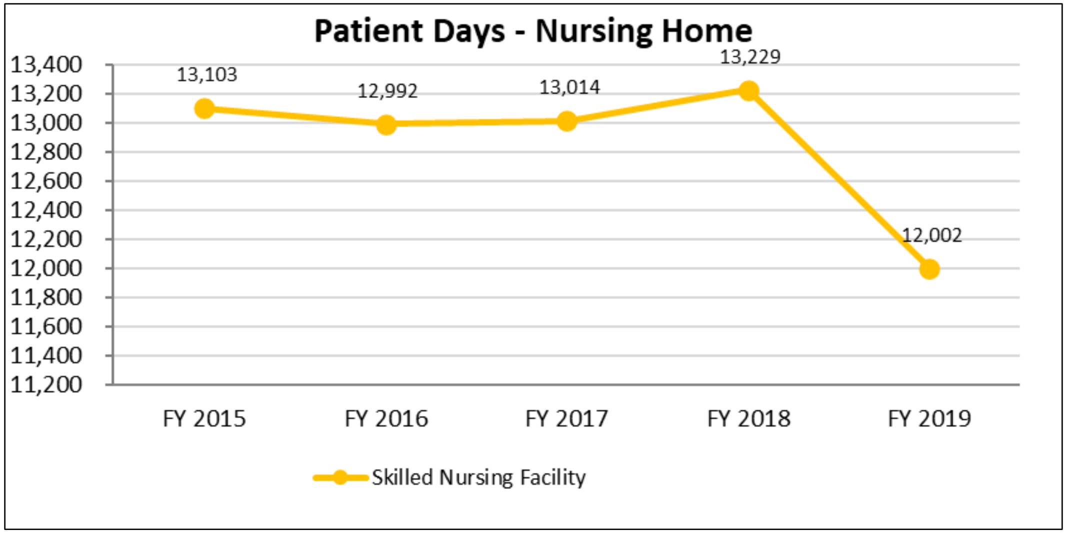
- EPH's PSA population is 12,746 and is anticipated to grow 9.2% over the next 5 years to 13,888
  - The 65+ age cohort remains the largest population at 3,954 people and is anticipated to have the largest growth at 21.9% adding 867 people over the next 5 years
  - The 18-44 age cohort is anticipated to have the second largest growth rate at 10.3% adding 336
    - Given the anticipated growth in the 65+ age cohort, EPH should strive to align its services to meet the healthcare demand of an aging demographic
- EPH's Medicare market share has decreased from the high of 29.9% in 2014 to 26.3% in 2018 with UCHealth of Loveland, CO gaining 3.9% over the same period

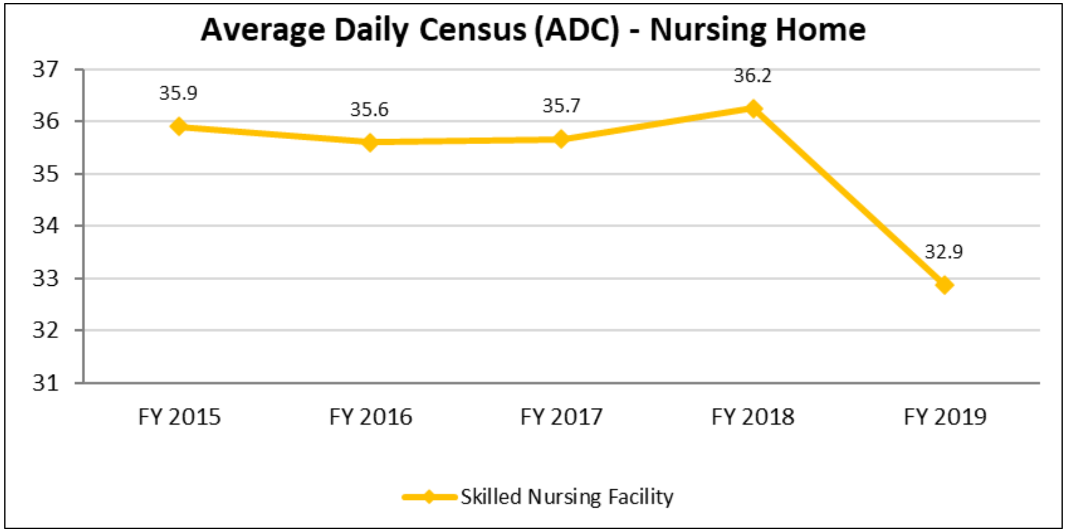
SERVICE LINES

Nursing Home

Service Lines: Nursing Home

- EPH operates the "Living Center" – a 52-bed skilled nursing facility
  - During FY 2019, the Living Center operated at a 63% capacity with an Average Daily Census (ADC) of 32.9
  - The Living Center's ADC has historically ranged between 35-37 but recently dropped in FY 2019
    - The decline in volume is attributed to older design of the nursing home that includes semi-private rooms and staffing challenges
  - Reported that FY 2020 will see further declines as the Living Center was not allowed to accept new patients due to Covid-19 restrictions





Nursing Home: Base Case

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- EPH's Living Center recorded $3.35M of cash receipts during FY 2019
- Stroudwater used the Medicare cost report for FY 2019 as a basis for the Living Center's cost structure
  - During FY 2019, the Living Center had direct expenses of $3.24M including salary expenses of $1.77M and other expenses of $1.47M
  - Variable allocated expenses accounted for an additional $978K
- EPH's Living Center operated at a at a $1.02M contribution margin loss for FY 2019 when adjusting for fixed versus variable costs

FY 2019 Nursing Home/SNF Profitability Analysis

Revenue:	Days	Rate	Net Revenue
Medicaid	8,472	$ 275	$ 2,332,942
Medicare	547	$ 313	$ 171,250
Medicare HMO	150	$ 291	$ 43,606
Other Revenue	325	$ 290	$ 94,332
Self Pay	2,508	$ 282	$ 706,891
Total	12,002		$ 3,349,021
Operating Expenses:	A		B
Direct Expenses (2019 ICR - WS A):			
Salary expense	$ 1,770,467		$ 1,770,467
Other	$ 1,466,545		$ 1,466,545
Total Direct Expense	$ 3,237,012		$ 3,237,012
	Total Allocation	Nursing Home Variable %	
Ancillary Expenses (ICR D-3 SNF PPS)	$ 107,822	50%	$ 53,911
Allocated Expenses (ICR Stepdown - WS B)			
Admin and General	200,008	20%	40,002
Employee Benefits	63,454	90%	57,109
Operation of Plant	240,233	50%	120,117
Dietary	685,678	50%	342,839
Cafeteria	52,490	50%	26,245
Central Supply	38,164	50%	19,082
Housekeeping	164,980	50%	82,490
Laundry and Linen	66,284	50%	33,142
Total Nursing Home Allocated Expense	1,511,291		721,025
Total Nursing Home expenses	4,856,125		4,011,948
Nursing Home Direct Gain (Loss)	$ (1,507,104)		(662,927)
Overhead expenses allocated away from Hospital (a) - (b)			(844,177)
Estimated CAH Cost Based Payer Mix			42%
Cost Based Payer Revenue on Allocated Costs			(354,264)
Net Gain (Loss)			$ (1,017,192)

Nursing Home: Scenario A – Breakeven Analysis

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- Stroudwater performed a sensitivity analysis to determine the Living Center's direct "breakeven"
  - The analysis assumed the FY 2019 cost structure with a variable cost of $50 per day per patient with no dilutionary impact on Medicaid or Medicare rates
- The Living Center would have to achieve an ADC of 45.0 or a total of 16,443 days to achieve a "breakeven" contribution margin
  - A review of historical Medicare cost reports from FY 2011 to present reveals that the Living Center's highest ADC achieved was 36.5

Nursing Home/SNF Sensitivity Analysis

Revenue:	Days	Rate	Net Revenue
Medicaid	11,607	$ 275	$ 3,196,208
Medicare	749	$ 313	$ 234,618
Medicare HMO	206	$ 291	$ 59,742
Other Revenue	445	$ 290	$ 129,238
Self Pay	3,436	$ 282	$ 968,463
Total	16,443		$ 4,588,269
Operating Expenses:	**A**		**B**
Direct Expenses (2019 ICR - WS A):			
Salary expense	$ 1,770,467		$ 1,770,467
Other	$ 1,688,602		$ 1,688,602
Total Direct Expense	$ 3,459,069		$ 3,459,069
	Total Allocation	Nursing Home Variable %	
Ancillary Expenses (ICR D-3 SNF PPS)	$ 107,822	50%	$ 53,911
Allocated Expenses (ICR Stepdown - WS B)			
Admin and General	200,008	20%	40,002
Employee Benefits	63,454	90%	57,109
Operation of Plant	240,233	50%	120,117
Dietary	685,678	50%	342,839
Cafeteria	52,490	50%	26,245
Central Supply	38,164	50%	19,082
Housekeeping	164,980	50%	82,490
Laundry and Linen	66,284	50%	33,142
Total Nursing Home Allocated Expense	1,511,291		721,025
Total Nursing Home expenses	5,078,182		4,234,005
Nursing Home Direct Gain (Loss)	$ (489,913)		354,264
Overhead expenses allocated away from Hospital (a) - (b)			(844,177)
Estimated CAH Cost Based Payer Mix			42%
Cost Based Payer Revenue on Allocated Costs			(354,264)
Net Gain (Loss)			$ (0)

Nursing Home: Scenario B – Historical ADC Analysis

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- Stroudwater adjusted the sensitivity analysis to FY 2018 ADC of 36.2
  - The analysis assumed the FY 2019 cost structure with a variable cost of $50 per day per patient with no dilutionary impact on Medicaid or Medicare rates
- Assuming the Living Center can achieve an ADC of 36.2 or a total of 13,229 days, EPH can reduce the negative contribution margin to $736K

Nursing Home/SNF Sensitivity Analysis

Revenue:	Days		Rate	Net Revenue
Medicaid	9,338	$	275	$ 2,571,445
Medicare	603	$	313	$ 188,757
Medicare HMO	165	$	291	$ 48,064
Other Revenue	358	$	290	$ 103,976
Self Pay	2,764	$	282	$ 779,158
Total	13,229			$ 3,691,401
Operating Expenses:	**A**			**B**
Direct Expenses (2019 ICR - WS A):				
Salary expense	$ 1,770,467			$ 1,770,467
Other	$ 1,527,895			$ 1,527,895
Total Direct Expense	$ 3,298,362			$ 3,298,362
	Total Allocation		Nursing Home Variable %	
Ancillary Expenses (ICR D-3 SNF PPS)	$ 107,822		50%	$ 53,911
Allocated Expenses (ICR Stepdown - WS B)				
Admin and General	200,008		20%	40,002
Employee Benefits	63,454		90%	57,109
Operation of Plant	240,233		50%	120,117
Dietary	685,678		50%	342,839
Cafeteria	52,490		50%	26,245
Central Supply	38,164		50%	19,082
Housekeeping	164,980		50%	82,490
Laundry and Linen	66,284		50%	33,142
Total Nursing Home Allocated Expense	1,511,291			721,025
Total Nursing Home expenses	4,917,475			4,073,298
Nursing Home Direct Gain (Loss)	$ (1,226,074)			(381,897)
Overhead expenses allocated away from Hospital (a) - (b)				(844,177)
Estimated CAH Cost Based Payer Mix				42%
Cost Based Payer Revenue on Allocated Costs				(354,264)
Net Gain (Loss)				$ (736,161)

Nursing Home: Summary

- The Living Center is currently providing a negative contribution margin to EPH of approximately $1.02M
  - Scenario A: The Living Center requires an ADC of 46.8 in order to reach "breakeven"; however, achieving this ADC has not been done in the last 10 years
  - Scenario B: If the Living Center reached the FY 2018 ADC of 36.2 net losses from the Living Center could be reduced to $736K

CONCLUSIONS

Conclusions

- The Living Center is currently providing a negative contribution margin to EPH of approximately $1.02M
    - EPH must decide whether the Living Center should remain as a “loss leader” service line as it provides access to skilled nursing care to residents within its service area

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STROUDWATER

ERIC K. SHELL, CPA, MBA
Chairman

AREAS OF FOCUS

- Performance improvement
- Strategic planning
- Population health and payment system transition
- Financial management

EDUCATION

- Eric earned his bachelor's degree in Accounting from The Pennsylvania State University and his Master's in Business Administration (Beta Gamma Sigma) from the W. E. Simon Graduate School at the University of Rochester.
- He is a member of the American Institute of Certified Public Accountants and the Maine Society of Accountants.

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With a dedication to improving rural communities, Eric Shell is an industry leader in supporting rural healthcare in its transition to population health. For his nearly 30 years in healthcare financial management and consulting, Eric's passion for sustainable and accessible rural healthcare has driven him help hundreds of rural health systems achieve improved financial and operational performance. As healthcare transitions from fee-for-service reimbursement towards value-based payment, Eric and his rural team provide vital strategic, financial and operational improvement services to ensure that rural health systems continue to provide local, high-quality, and accessible patient care.

A noted speaker with a commitment to education, Eric is often featured at rural conferences nationwide, presenting on the future of rural healthcare, critical access hospital financial and reimbursement topics, and rural hospital performance improvement. He has assisted in the development of a national program for rural hospital performance improvement and performance measurement. Further, he helped develop new rural demonstration payment programs for frontier clinics and hospitals. Eric has served on the National Rural Health Association's Rural Health Congress and Governmental Affairs Committee and the Federal Office of Rural Health Policy's Rural Hospital Issues Group.

Before joining Stroudwater, Eric was the director of finance and administration for Rochester Community Individual Practice Association, Inc., where he provided leadership and financial management to a 2,500-provider community-based IPA. He has also practiced as a CPA at Arthur Andersen & Co. and at a local accounting firm.

REPRESENTATIVE ACCOMPLISHMENTS

Eric's recent work includes:

- Facilitating strategic plan development for small and rural hospitals in the context of the rapidly changing rural healthcare landscape
- Improving financial and operational performance of critical access hospitals and other rural hospitals
- Assisting rural hospitals in developing an affiliation strategy with larger urban hospitals

W. DANIEL GIVEN, CPA
Consultant

AREAS OF FOCUS
- Designation assessments (RHC, CAH, FQHC)
- Financial pro forma and projection preparation
- Hospital and practice performance improvement

EDUCATION
- Daniel earned his Bachelor of Business Administration in accounting, finance, and risk management & insurance from Marshall University.
- He is a member of the American Institute of Certified Public Accountants, the West Virginia Society of Certified Public Accountants, and the Healthcare Financial Management Association.

OUTSIDE THE OFFICE
- In his spare time, Daniel enjoys cycling, golfing, skiing, exercise, the outdoors, reading, and podcasting.

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The former CFO of a rural healthcare system, Daniel Given finds great reward in helping financially distressed rural and community hospitals and health centers to overcome their unique challenges. Daniel came to healthcare through his father, a family physician, and has seen firsthand the issues rural providers face in an increasingly regulated, technical, and complicated industry. He brings to the firm operational and financial knowledge of non-profit critical access hospitals (CAHs), rural health clinics, nursing homes, federally qualified health centers, and emergency medical services.

Before joining Stroudwater, Daniel served as Chief Financial Officer of a rural healthcare system that includes a Federally Qualified Health Center, Nursing Home, Critical Access Hospital, Rural Health Clinic, and Emergency Medical Service. In that role, he worked with the county commission to divest the hospital's non-reimbursable EMS service and return service to county control under a low-cost efficient model; implemented departmental budgeting and variance reports for the first time to improve financial transparency; improved the nursing home's documentation, leading to an increase in Medicaid reimbursement; oversaw implementation of a new general ledger system, inventory system, payroll system, and enterprise resource planning software; and identified opportunities for cost reduction and service expansion. He has also worked as a financial auditor at a regional accounting firm, performing assurance and audits for healthcare clients.

Daniel brings to each client engagement his expertise in financial management, analysis, budgeting, and forecasting; knowledge of cost-based reimbursement; rural healthcare operational acumen; and electronic health record experience.