

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center
December 31, 2020 and 2019**

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Independent Auditor's Report

Board of Directors
Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center
Salida, Colorado

We have audited the accompanying financial statements of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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. 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 auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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
Salida Hospital District
d/b/a Heart of the Rockies Regional Medical Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center as of December 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2020, the Medical Center adopted new accounting guidance, GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses have been subjected to the auditing procedures applied in the audits of the basic

Board of Directors
Salida Hospital District
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financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of net position, combining statements of revenues, expenses and changes in net position, and budgeted and actual revenues and expenses are fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Colorado Springs, Colorado
April 29, 2021

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

Introduction

Management's discussion and analysis of the financial performance of Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center) provides an overview of the Medical Center's financial activities for the years ended December 31, 2020 and 2019. It should be read in conjunction with the accompanying financial statements of the Medical Center. The information and financial data included in the management's discussion and analysis relate to either Heart of the Rockies Regional Medical Center, or the Medical Center and its blended component unit, Salida Hospital Foundation d/b/a Heart of the Rockies Regional Medical Center Foundation (the Foundation), collectively referred to as the "Organization."

Financial Highlights

Organization

- Cash and investments increased by \$10,753,266 in 2020 and decreased by \$3,980,263 in 2019.
- Net position increased in 2020 by \$7,162,160 and increased in 2019 by \$10,313,523.

Heart of the Rockies Regional Medical Center (Medical Center)

- Cash and investments increased in 2020 by \$10,733,837, or 22%, and decreased in 2019 by \$4,063,953, or 8%.
- Net position increased in 2020 by \$7,145,122, or 9%, and increased in 2019 by \$10,311,434, or 14%.
- Operating income decreased in 2020 by \$6,018,087, or 73%, and decreased in 2019 by \$2,333,716, or 22%.
- Total operating revenues increased in 2020 by \$4,285,156, or 5%, and increased in 2019 by \$5,584,205, or 7%.
- Total operating expenses increased in 2020 by \$10,303,243, or 14%, and increased in 2019 by \$7,917,921, or 12%.

Salida Hospital Foundation (Foundation)

- Cash and investments increased by \$19,429, or 2%, in 2020 and increased by \$56,690, or 6%, in 2019.
- Net position increased by \$17,038, or 2%, in 2020, and increased by \$2,089, or 0%, in 2019.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited)

Years Ended December 31, 2020 and 2019

Using This Annual Report

The Organization's financial statements consist of three statements – the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. These financial statements provide information about the activities of the Organization, including resources held by the Foundation but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

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 Organization's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities, and deferred inflows of resources using the accrual basis of accounting. 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 Organization's net position and changes in them. The Organization's total net position – the difference between assets, liabilities and deferred inflows of resources – are one measure of the Organization's financial health or financial position. Over time, increases or decreases in the Organization's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center'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 Organization.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of 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 periods?"

The Organization's Net Position

The Organization's combined net position, the difference between its assets, liabilities and deferred inflows of resources reported in the statements of net position, increased by \$7,162,160, or 9%, over 2019, as shown in Table 1.

Table 1: Assets, Liabilities, Deferred Inflows of Resources and Net Position

Noteworthy changes in the Organization's assets, liabilities and deferred inflows of resources for 2020 are the increases in cash and cash equivalents; net patient accounts receivable; investments internally designated by the Board of Directors; other current assets; capital assets, net; current

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Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

liabilities and Medicare Accelerated Payments, and the decrease in noncurrent cash and investments, and long-term debt.

Changes of note in 2019 are the increases in net patient accounts receivable; capital assets, net; and noncurrent cash and investments, and the decreases in investments internally designated by the Board of Directors, current liabilities, and long-term debt.

	2020	2019	2018
Assets			
Cash and cash equivalents	\$ 20,544,795	\$ 5,591,111	\$ 5,294,411
Patient accounts receivable, net	13,365,030	12,903,307	11,040,333
Investments internally designated by Board of Directors, current	27,200,193	21,655,158	31,483,505
Other current investments	723,656	706,617	864,360
Other current assets	5,771,993	4,718,370	4,008,498
Capital assets, net	59,608,856	54,675,557	46,409,472
Noncurrent cash and investments	11,612,486	21,374,978	15,665,851
Investment in joint venture	214,387	212,012	56,551
Other assets	402,099	435,608	469,116
	\$ 139,443,495	\$ 122,272,718	\$ 115,292,097
Liabilities and Deferred Inflows of Resources			
Current liabilities (including current maturities on long-term debt)	\$ 17,104,397	\$ 10,575,939	\$ 12,509,983
Long-term portion of Medicare accelerated payments	4,919,017	-	-
Long-term debt	27,390,000	28,825,000	30,220,000
Deferred inflows of resources - lease revenue	46,291	50,149	54,007
	49,459,705	39,451,088	42,783,990
Net Position			
Net investment in capital assets	29,180,094	22,509,072	11,822,091
Restricted			
Expendable	335,770	346,596	365,254
Nonexpendable	40,000	40,000	40,000
Unrestricted	60,427,926	59,925,962	60,280,762
	89,983,790	82,821,630	72,508,107
Total liabilities, deferred inflows of resources and net position	\$ 139,443,495	\$ 122,272,718	\$ 115,292,097

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited)

Years Ended December 31, 2020 and 2019

In 2020, the Medical Center was impacted by the COVID-19 pandemic as were other hospitals nationwide. Although located in a rural area where the relatively lower positivity rate did not result in a surge, the state mandated shutdown in the early months of the year, of all except urgent and emergent services, had a significant negative impact on its financial performance. Elective services were able to open late in the second quarter and with continued limited inpatient COVID-19 admissions the Medical Center was able to improve financial outcomes. The approach to success in past years of a balanced strategic and operational focus, emphasizing Service, People, Quality, Finance, Facilities, Growth, and Physician Relations, was significantly challenged in 2020 but still provided the foundation for managing and succeeding despite a national pandemic.

The Medical Center realized a multiyear goal by receiving Joint Commission accreditation in September of 2020. It also received Rural Health Clinic certification for two of its family practice clinics, and a new clinic opened in a neighboring county according to the terms of an interdistrict agreement. With four rural health clinics in total, two outside its district, the Medical Center continued to increase its presence as a regional healthcare provider. Construction on the campus expansion which began in 2017 was completed at the beginning of 2020 with final remaining work on the laboratory expansion. Expansion of the Buena Vista Rural Health Clinic in the northern part of the district, planned at the end of 2019, was not completed as expected in 2020 due to significant delays in manufacturing, transport and workforce due to the COVID-19 pandemic. The new outpatient services wing ultimately opened at the end of January 2021. This activity and previous main campus facility development is reflected in the decrease in current investments and cash and cash equivalents in 2019 and 2018 and current investments in 2019.

Inpatient discharges decreased by 13% and patient days by 8%, although intensive care patient days and average length of stay increased by 2% and 7%, respectively. Inpatient surgeries decreased 11% due to the impact of COVID-19 although outpatient surgeries increased by 21% with the addition of a pain management and a urology surgeon offsetting the COVID-19 related shutdown of elective procedures. All other outpatient services saw decreases in volumes over 2019 averaging 10%. Physician clinic visits saw no growth over 2020 on average with the exception of four clinics which increased due to patient need and the addition of new providers, (1) Psychiatry, (85%), (2) Allergy, 44%), (3) Pain, 24%, and (4) Urology, 22%. These changes, in conjunction with the impact of the COVID-19 pandemic impact on operating costs and productivity management, caused the Medical Center's increase in net position to decrease 31% from 2019 and 13% from 2018.

Cash and cash equivalents increased in 2020 primarily due to receipt of federal funds as a result of the COVID-19 pandemic. Medicare Accelerated Payments of approximately \$8.7 million require repayment while Provider Relief Funds under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) of approximately \$6.5 million are considered grants subject to retention on meeting eligibility requirements outlined by the U.S. Department of Health and Human Services.

The increase in net patient accounts receivable of \$461,723, or 4%, in 2020 represents an increase in net days outstanding from 57.8 to 58.1 and an overall 3% growth in services and associated gross revenue. Effective systems and processes continued with an increase in collectability realized and continued strong management of third-party payer aging.

In 2020, other current assets increased by \$1,053,623, or 22%, primarily due to the net Medicare Cost Report settlement receivable of \$932,509 from 2015 to 2020.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

In 2020 and 2019, capital assets net of depreciation were impacted by the annual acquisition of new and replacement capital equipment, construction in progress related to the Buena Vista Rural Health Clinic expansion, completion of the main campus lab expansion, disposal of retired equipment and an increase in accumulated depreciation.

In 2020 the increase in current liabilities is attributable to \$3,783,942 in current Accelerated Medicare Payments and to \$4,030,120 in unearned CARES Act Provider Relief Funds received due to the COVID-19 pandemic. In 2019, increases in current liabilities represent construction, architect and project management fees payable, and construction retainage, offset by a decrease in the Medicare cost report settlement resulting from the increase in capital costs and depreciation expense.

In April 2020 Medicare Accelerated Payments were requested and received in the amount of \$8,702,959 due to the COVID-19 pandemic. Repayment of these funds is required within 29 months of receipt and expected within approximately two years, with \$4,919,017 due in year two.

Long-term debt decreased in 2020 and 2019 with debt service payments under the terms of the promissory note issued in 2016 to refund the 2006 Revenue Bonds.

In 2020 non-current cash and investments decreased due to retraction of the Medical Center's laddered portfolio as investments matured and were held in primarily current money market funds due to the substantial reduction in investment rates. This corresponds with the increase in investments internally designated by the Board of Directors.

The decrease in current board internally designated funds in 2019 is attributable to changes in the Medical Center's portfolio for construction and development related liquidity needs. In 2019, the Medical Center was able to significantly fund its construction projects from short-term investments and in 2018 from operating cash and short-term investments, enabling it to invest the additional borrowed funds. Consequently, non-current cash and investments increased in 2019 and 2018.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

Operating Results and Changes in the Organization's Net Position

In 2020, the Organization's increase in net position was \$7,162,160 as shown in Table 2. This increase is made up of the following components:

Table 2: Operating Results and Changes in Net Position

	2020	2019	2018
Operating Revenues			
Net patient service revenue, net	\$ 84,147,479	\$ 81,499,086	\$ 76,203,300
Other operating revenue	<u>3,265,114</u>	<u>1,628,351</u>	<u>1,339,932</u>
Total operating revenues	<u>87,412,593</u>	<u>83,127,437</u>	<u>77,543,232</u>
Operating Expenses			
Salaries, wages and employee benefits	48,559,785	42,295,021	37,569,642
Purchased services and professional fees	6,700,653	6,312,021	4,972,060
Depreciation	4,991,568	4,271,417	3,643,655
Other operating expenses	<u>24,967,122</u>	<u>22,042,250</u>	<u>20,809,446</u>
Total operating expenses	<u>85,219,128</u>	<u>74,920,709</u>	<u>66,994,803</u>
Operating Income	<u>2,193,465</u>	<u>8,206,728</u>	<u>10,548,429</u>
Nonoperating Revenues (Expenses)			
Property taxes	1,027,653	963,874	888,326
Interest income	742,237	1,127,841	729,969
Other nonoperating revenues and expenses, net	<u>2,512,900</u>	<u>(130,382)</u>	<u>(357,246)</u>
Net nonoperating revenues (expenses)	<u>4,282,790</u>	<u>1,961,333</u>	<u>1,261,049</u>
Gifts and Grants to Purchase Capital Assets	<u>685,905</u>	<u>145,462</u>	<u>63,151</u>
Increase in Net Position	<u><u>\$ 7,162,160</u></u>	<u><u>\$ 10,313,523</u></u>	<u><u>\$ 11,872,629</u></u>

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited)

Years Ended December 31, 2020 and 2019

Operating Income

The first component of the overall change in the Organization's net position for 2020 and 2019 is its operating income or loss – generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years the Medical Center has reported operating income.

The Medical Center's vision is to be the healthcare provider of choice for its region as a world class rural healthcare organization, providing personalized and exceptional healthcare while maintaining a strong financial position in order to withstand the industry environment of regulatory uncertainty, declining reimbursement and increasing costs. In 2020 it was able to withstand the unexpected impact of the COVID-19 pandemic.

The 2008 completion of, and relocation to, the replacement facility begun in 2006 established a strategically strong position for the Medical Center's future. A surgical, clinic and support areas expansion followed in 2012 with a further build out in late 2014 providing for a third operating room which opened early 2015. In 2016, the Medical Center established and received accreditation for a cardiac rehab program and in 2017 received Centers for Medicare and Medicaid Services certification of the outpatient dialysis clinic it opened in late 2016, assuring one of the most significant and long awaited community service needs to patients with end stage renal disease. During this growth in hospital services the Medical Center also focused on expanding primary and specialty physician clinics. After the 2011 acquisition of a Rural Health Clinic in the northern part of its district and the 2013 purchase of a medical office building long occupied as a tenant for the provision of outpatient and clinic services, significant annual growth in physician clinic specialties began in 2014 and continued into 2020 by expanding its regional presence with the addition of two Rural Health Clinics in counties neighboring its district. The Medical Center's operating income for 2020 decreased \$6,018,087, or 73%, and for 2019 decreased \$2,333,716, or 22%, respectively. The primary components of these changes are:

- In 2020 and 2019, an increase in net patient service revenue of \$2,648,393, or 3%, and \$5,295,786, or 7%, respectively.
 - Gross patient revenues increased by \$4,851,431 or 3%, in 2020 and by \$12,274,736, or 8%, in 2019.
 - Services had an aggregate price increase of 5% in 2020 and in 2019.
 - Discharges decreased by 13% in 2020 and increased by 4% in 2019, although average length of stay increased by 7% in 2020 as in 2019. Patient days decreased by 8% in 2020 and increased by 7% in 2019.
- Total outpatient visits decreased in 2020 by 2% and increased in 2019 by 5%. The COVID-19 pandemic and resulting temporary termination of all elective outpatient services affected most service lines.
 - Outpatient surgeries increased by 21% in 2020 and by 4% in 2019.
 - Emergency department visits decreased in 2020 by 14% and increased by 3% in 2019.
 - Rehabilitation services remained flat in 2020 and increased by 5% in 2019.

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Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

- Infusion department visits decreased by 15% in 2020 and by 6% in 2019. In addition to the impact of the COVID-19 pandemic on this fragile patient population provider availability challenges continued into 2020 from 2019. Additional contributing factors are possible changes in referral patterns from out of area providers and an increase in self administrable drug therapies.
- Imaging services in total including CT, MRI, x-rays, fluoroscopy, mammography and nuclear medicine decreased by 3% in 2020 and remained flat in 2019, although both CT and Mammography increased by 3% in 2020, after increasing by 5% and decreasing by 7%, respectively, in 2019.
- Lab volume decreased by 4% in 2020 and increased by 9% in 2019.
- Dialysis Clinic treatments decreased 17% in 2020 with the discharge of several patients and change in staffing model after increasing by 17% in 2019 following certification to provide Home and Peritoneal Dialysis Training and Support on February 13, 2019.
- The Medical Center recorded an increase in deductions as a percentage of gross revenue of 0% in 2020 and 1% in 2019. Deductions from gross revenues result from changes to the listed price of services imposed by Medicare and Medicaid reimbursement rules, as well as changes negotiated with other third-party payers.
 - The 2% Medicare sequestration resulted in 2020 and 2019 deductions of \$96,546 and \$345,334, respectively. Sequestration was waived as of May 1 due to the COVID-19 pandemic.
 - In 2020, inpatient and outpatient volume decreases, in comparison with 2019 reported costs, decreased Medicare deductions by increasing per diem payments for inpatient by 10% and by increasing outpatient charge based payments by 6%. The immaterial increase in per diem payments for swing bed had no impact.
 - Both 2020 and 2019 deductions have been reduced by Medicaid supplemental payments in the amount of \$5,401,951 and \$5,406,072, respectively, under the Colorado Healthcare Accountability and Sustainability Enterprise Legislation adopted by the State of Colorado. In addition, the cost report settlements decreased Medicare deductions by \$2.3 million, or 1% of gross revenue, in 2020 and by \$2.9 million, or 2% of gross revenue, in 2019. Primary factors are the additional reimbursable depreciation expense following occupancy of the Outpatient Pavilion in May 2019 offset by a decrease in Medicare volume in 2020 due to the COVID-19 pandemic.
 - Charity and other deductions decreased \$3,603,707 (from 1.2% to 1% of gross revenue) and increased \$663,001 (from 0.9% to 1.2% of gross revenue) in 2019. Supplemental Colorado Indigent Care Program payments under the Medicaid Provider Fee legislation for 2020 in the amount of \$568,312 exceeded write-offs by \$137,596, and for 2019 in the amount of \$526,506 were \$147,910 short of write-offs.

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Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

- Salaries, wages and benefits for the Organization's employees increased \$6,264,764, or 15%, in 2020 and \$4,725,379, or 13%, in 2019.
 - Employee salaries and benefits increased in 2020 in part due to an increase of 22.7 full time equivalents (FTEs) in nursing and physician clinic services, 5.8 FTEs in decreased ancillary/outreach/wellness services and 16.1 FTEs in administrative/support services. The 2019 increase was in part due to an increase of 14.1 full time equivalents (FTEs) in nursing and physician clinic services and 17.9 FTEs in ancillary/outreach/wellness services.
 - The Medical Center's self-insured employee health plan realized increases in claims experience of \$579,655 in 2020, \$1,013,791 in 2019 and \$1,369,091 in 2018 following the \$231,936 decrease in 2017. This is representative of the impact of the COVID-19 pandemic on access to services in addition to the claims volatility often experienced in small self-insured plans as well as the increase in covered members. Employee contribution rates were not changed over these years in either year in spite of the volatility.
 - Increases in both 2020 and 2019 were also attributable to average salary increases of 3% in addition to the Colorado Hospital Association survey data used to determine market adjustments for a significant number of employees. These increases contributed to success in the Medical Center's retention and recruitment efforts with a turnover rate of 13% in 2020 and 16% in 2019, well below the state average of 24%.
- Depreciation expense increased by \$720,151 to \$4,991,568, or 6% of total operating expenses, in 2020 and increased by \$627,762 to \$4,271,417, or 6% of total operating expenses, in 2019.
 - Depreciation expense is driven by the cost of capital assets purchased and their estimated useful lives. The bulk of depreciation expense relates to the buildings owned by the hospital and includes the completion of the lab expansion in November 2020.
 - Major moveable equipment accounts for about 34% of total depreciation expense. In 2020 the largest additions to major moveable equipment were operating room video integration system upgrades, new diagnostic equipment for three of the four Rural Health Clinics and a patient transport van. Both 2020 and 2019 have also included new and updated surgical and diagnostic equipment as well as information technology upgrades.
- Purchased services and professional fees increased by \$388,632, or 6%, in 2020 and increased by \$1,339,961, or 27%, in 2019. Purchased services and professional fees are impacted by a number of operational decisions.
 - In 2020, recruiting challenges, although reduced from 2019, continued with the use of agency staffing in the Neurology Clinic, Surgery, Imaging and Cardiopulmonary departments. Additionally, an independent contractor filled the Health Information Management position due to recruiting delays driven by the COVID-19 pandemic. Increased availability of Pain Management, Cardiology and Pulmonology providers was also a factor, in addition to the status change of an orthopedic provider.

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Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

- In 2020, an increase in professional fees resulted from an orthopedic provider's status change, an increase in availability of an independent contractor pain management physician, and an increase in cardiologist and pulmonologist availability under a professional services agreement, offset by the employment of an allergist in replacement of the previous independent contractor physician's services. Locum tenens coverage for general surgery call coverage prior to the fourth quarter employment of a third surgeon also contributed. In 2019, an increase in professional fees resulted from successful recruitment of an independent contractor pain management physician and to a full year of the independent contractor allergy physician's services. Locum tenens coverage for the oncology clinic due to a provider absence contributed significantly in addition to more limited needs for the orthopedic and general surgery clinics.
- Supplies expense increased by \$1,752,908, or 13%, in 2020 and by \$847,526, or 6%, in 2019.
 - Departmental supplies, driven by offsetting volume and service line changes, increased by 9% in 2020 and 7% in 2019. In 2020 there was need for additional supplies due to the COVID-19 pandemic.
 - Pharmaceuticals expense increased by 5% in 2020 and 11% in 2019, including a 4% increase in all clinics, and 43% in 2019. The outpatient pharmacy, opened October 2019, contributed a \$1.1 million increase with a full year of operations offset by a 2020 volume decrease of 15% in infusion services and volume increases only in the allergy and family practice clinics. Internal automated auditing capabilities continued to enable purchasing at discounted 340B pricing despite market increases in many drugs.
 - Minor equipment expense decreased by 2% in 2020 following the 25% increase in 2019 due to additional needs for the outpatient pavilion and new family practice clinic.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the Medical Center, investment income and interest expense.

The Medical Center was formed and is operated primarily to serve residents of the Salida Hospital District in Chaffee, Fremont and Saguache counties, where it levies property taxes in the amount of approximately 1% of gross financial support. Property taxes increased 7% and 8% in 2020 and 2019, respectively, according to Statutory Property Tax Revenue Limitations.

Investment income decreased 34% in 2020 with a decrease in the long-term investment portfolio and falling rates. The Medical Center incurred interest expense in 2020 and 2019 on the long-term debt outstanding that was used to finance the current hospital facility.

The Medical Center also recorded an unrealized loss on investments of \$53,757 and an unrealized gain on investments of \$205,304 in 2020 and 2019, respectively. As a result of management and operational changes focusing on efficiency and a sustained increase in hospice census it realized a gain on its joint ventured home health and hospice company of \$57,925 and \$155,461 in 2020 and 2019, respectively.

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Capital and Operating Gifts

The Medical Center receives capital and operating gifts for specific programs from donors or private foundations and other grant sources. Grants in 2020 and 2019 of \$3,975,893 and \$293,861, respectively, were received primarily from Provider Relief Funds through the COVID-19 CARES Act and the Colorado Division of Local Affairs (DOLA) due to the COVID-19 pandemic in 2020, and in both years from the Women's Wellness Connection Program to support access to diagnostic services, and for other wellness initiatives.

In 2020 and 2019, the Foundation collected unrestricted donations in the amount of \$45,350 and \$42,033, respectively. Donations for the Buena Vista Health Center expansion project and additional restricted contributions were transferred to the Medical Center in the amounts of \$55,683 and \$128,818, respectively.

The Medical Center's Cash Flows

Changes in the Medical Center's cash flows are consistent with changes in operating revenues and expenses and nonoperating revenues, discussed earlier.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2020 and 2019, the Medical Center had \$59,608,856 and \$54,675,557, respectively, of net capital assets, as detailed in Note 10 to the financial statements. The net change year over year resulted from facility expansion and fixed equipment of \$2,764,149, land development of \$834,430 and major moveable equipment purchases of \$2,261,806, comprising primarily \$2,159,678 for inpatient, ancillary and clinic services equipment, \$154,920 for IT and EHR technology, \$511,475 for facilities infrastructure and equipment, and \$ 14,981 for emergency preparedness equipment; offset by an increase in accumulated depreciation of \$4,659,383.

Debt

In October 2016, the Medical Center refunded its 2006, \$30,200,000 non-rated 30-year tax-exempt revenue bonds, issued at a 5.25% fixed rate, through a privately placed 20-year promissory note at a 2.96% fixed rate. The refunding transaction included additional financing of \$10,000,000 which was funded October 2018 to replenish cash reserves the Medical Center expended on its outpatient pavilion, laboratory and parking expansion which began mid-2017. The Medical Center had \$28,825,000 and \$30,220,000 outstanding in notes payable at December 31, 2020 and December 31, 2019, respectively. The Medical Center's formal debt issuances are subject to limitations imposed by state law.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Management's Discussion and Analysis (Unaudited) Years Ended December 31, 2020 and 2019

Other Economic Factors

It is management's opinion that timing of the ultimate cancellation of the COVID-19 public health emergency, continuing impact of healthcare legislation at both the national and state levels focused on repeal of or changes to the Patient Protection and Affordable Care Act, implementation of a Colorado Public Option payer system as well as reductions in reimbursement to fund a statewide reinsurance program to lower individual market premiums, status of sequestered federal payment reductions, physician and staff recruitment and retention challenges, the continued high cost of housing and below average income trends within the Medical Center's service area are all contributing factors to its financial risks.

Contacting the Medical Center's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Medical Center's finances and to show the Medical Center's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Medical Center's Administration at 719.530.2231.

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Statements of Net Position
December 31, 2020 and 2019**

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 20,544,795	\$ 5,591,111
Certificates of deposit	723,656	706,617
Patient accounts receivable, net of allowance for uncollectible accounts; 2020 - \$3,032,379 and 2019 - \$3,720,350	13,365,030	12,903,307
Inventories	2,755,985	2,501,754
Prepaid expenses and other	2,083,499	1,992,057
Estimated amounts due from third-party payers	932,509	224,559
Cash and investments internally designated by Board of Directors, current	27,200,193	21,655,158
Total current assets	67,605,667	45,574,563
Noncurrent Cash and Investments		
Cash and investments internally designated by Board of Directors	10,736,717	20,471,343
Certificates of deposit	500,000	517,039
Externally restricted by donors	375,769	386,596
Total noncurrent cash and investments	11,612,486	21,374,978
Investment in Joint Venture	214,387	212,012
Capital Assets, Net	59,608,856	54,675,557
Other Assets		
Lease receivable	402,099	435,608
Total assets	\$ 139,443,495	\$ 122,272,718

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Statements of Net Position (continued)
December 31, 2020 and 2019**

**Liabilities, Deferred Inflows of
Resources and Net Position**

	2020	2019
Current Liabilities		
Accounts payable	\$ 3,261,774	\$ 3,925,056
Accrued compensation and paid time off	2,976,863	3,854,692
Current maturities of long-term debt	1,435,000	1,395,000
Other current liabilities	714,198	501,191
Estimated self-insurance costs	900,000	900,000
Unearned revenue	4,032,620	-
Current portion of Medicare accelerated payments	3,783,942	-
Total current liabilities	17,104,397	10,575,939
Other Liabilities		
Long-term portion of Medicare accelerated payments	4,919,017	-
Long-term debt	27,390,000	28,825,000
Total other liabilities	32,309,017	28,825,000
Total liabilities	49,413,414	39,400,939
Deferred Inflows of Resources		
Lease revenue	46,291	50,149
Total liabilities and deferred inflows of resources	49,459,705	39,451,088
Net Position		
Net investment in capital assets	29,180,094	22,509,072
Restricted expendable		
Scholarships	14,746	25,905
Other	321,024	320,691
Restricted nonexpendable	40,000	40,000
Unrestricted	60,427,926	59,925,962
Total net position	89,983,790	82,821,630
Total liabilities, deferred inflows of resources and net position	\$ 139,443,495	\$ 122,272,718

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019**

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$2,408,658 and 2019 - \$2,264,549	\$ 84,147,479	\$ 81,499,086
Other operating revenue	3,265,114	1,628,351
Total operating revenues	87,412,593	83,127,437
Operating Expenses		
Salaries and wages	35,377,213	31,018,926
Employee benefits	13,182,572	11,276,095
Supplies	15,725,564	13,972,656
Purchased services	3,974,890	4,309,553
Professional fees	2,725,763	2,002,468
Depreciation	4,991,568	4,271,417
Provider fee expense	2,346,052	1,808,263
Repairs and maintenance	3,015,703	2,340,388
Lease and rental	229,231	393,278
Utilities	752,949	707,844
Insurance	410,884	385,327
Other expenses	2,486,739	2,434,494
Total operating expenses	85,219,128	74,920,709
Operating Income	2,193,465	8,206,728
Nonoperating Revenues (Expenses)		
Property taxes	1,027,653	963,874
Interest income	742,237	1,127,841
Noncapital grants and gifts	3,417,609	378,128
Gain (loss) on investments	(53,757)	205,304
Interest expense	(884,189)	(924,593)
Gain on sale of capital assets	13,858	132,515
Gain on other investments	57,925	155,461
Other	(38,546)	(77,197)
Total nonoperating revenues (expenses)	4,282,790	1,961,333
Excess of Revenues Over Expenses Before Capital Gifts	6,476,255	10,168,061
Gifts and Grants to Purchase Capital Assets	685,905	145,462
Increase in Net Position	7,162,160	10,313,523
Net Position, Beginning of Year	82,821,630	72,508,107
Net Position, End of Year	\$ 89,983,790	\$ 82,821,630

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Receipts from, and on behalf of, patients	\$ 91,925,962	\$ 76,728,329
Payments to suppliers and contractors	(23,001,007)	(19,787,121)
Payments to employees	(49,437,614)	(41,847,896)
Other payments, net	(6,060,102)	(6,056,484)
Net cash provided by operating activities	13,427,239	9,036,828
Cash Flows from Noncapital Financing Activities		
Property taxes supporting operations	1,027,653	963,874
Noncapital grants and gifts	7,450,229	378,128
Other nonoperating expense	(38,546)	(77,197)
Net cash provided by noncapital financing activities	8,439,336	1,264,805
Cash Flows from Capital and Related Financing Activities		
Gifts to purchase capital assets	685,905	145,462
Principal paid on long-term debt	(1,395,000)	(1,355,000)
Interest paid on long-term debt	(894,512)	(934,620)
Purchase of capital assets	(10,267,590)	(13,999,380)
Proceeds from the sale of fixed assets	13,858	528,497
Net cash used in capital and related financing activities	(11,857,339)	(15,615,041)
Cash Flows from Investing Activities		
Purchase of investments	(26,747,284)	(31,969,099)
Proceeds from disposition of investments	31,394,063	35,777,199
Investment income	813,750	904,493
Net cash provided by investing activities	5,460,529	4,712,593
Increase (Decrease) in Cash and Cash Equivalents	15,469,765	(600,815)
Cash and Cash Equivalents, Beginning of Year	6,657,664	7,258,479
Cash and Cash Equivalents, End of Year	\$ 22,127,429	\$ 6,657,664

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Statements of Cash Flows (continued)
Years Ended December 31, 2020 and 2019**

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 20,544,795	\$ 5,591,111
Cash in noncurrent cash and investments		
Internally designated	1,206,865	679,957
Externally restricted by donors	375,769	386,596
Total cash and cash equivalents	\$ 22,127,429	\$ 6,657,664
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,193,465	\$ 8,206,728
Depreciation	4,991,568	4,271,417
Provision for uncollectible accounts	2,408,658	2,264,549
Changes in operating assets and liabilities		
Patient accounts receivable, net	(2,625,184)	(4,127,523)
Estimated amounts due from and to third-party payers	(707,950)	(2,907,783)
Accounts payable and accrued expenses	(1,198,388)	1,310,480
Other assets and liabilities	8,365,070	18,960
Net cash provided by operating activities	\$ 13,427,239	\$ 9,036,828
Supplemental Cash Flows Information		
Capital asset acquisition in accounts payable	\$ 1,603,762	\$ 1,946,485

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The financial statements include Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center (the Medical Center) and its component unit Salida Hospital Foundation d/b/a Heart of the Rockies Regional Medical Center Foundation (Foundation), which has been included in these financial statements using the blended method. The Medical Center and the Foundation are collectively referred to as the “Organization.” All significant intercompany balances and transactions have been eliminated.

The Medical Center is a 25-bed acute care facility in Salida, Colorado designated as a Critical Access Hospital (CAH). The Medical Center is governed by a Board of Directors, which is elected by Salida Hospital District residents. The Medical Center primarily earns revenues by providing inpatient and outpatient acute care and multi-specialty physician clinic services to patients from and visiting Chaffee, Fremont and Saguache counties.

Foundation

The Foundation is a legally separate, tax-exempt component unit of the Medical Center. The Foundation’s primary function is to raise and hold funds to support the Medical Center and its programs.

Although the Medical Center does not control the timing or amount of receipts from the Foundation, the Foundation’s resources and related income are restricted by donors for the benefit of the Medical Center. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Medical Center, the Foundation is considered a component unit of the Medical Center and is included in the financial statements using the blended method.

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Organization first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net positions are available.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

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, liabilities and deferred inflows of resources 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.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization does not consider uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of repurchase agreements secured by ownership in Public Deposit Protection Act qualifying securities.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at the time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. The investment in joint venture is reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes 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.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Inventories

Supply inventories are stated at the lower of cost, determined by using an average calculated cost which approximates the first-in, first-out method, or market.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Capital Assets

Capital assets are recorded 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. The following estimated useful lives are being used by the Medical Center:

Land improvements	2 – 25 years
Buildings and improvements	5 – 40 years
Equipment	3 – 20 years

Capital Asset Impairment

The Medical Center evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Compensated Absences

The Medical Center's policies permit all full-time and regular part-time employees who are regularly scheduled to work at least 24 hours per week or 48 hours per pay period to accumulate paid time off benefits. Expense and the related liability are recognized as benefits are earned. Compensated absence liabilities are computed using the regular pay rates in effect at the statements of net position date. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Risk Management

The Organization 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; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center is self-insured for a portion of its exposure to employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Unearned Revenue

The Organization received distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services. Unearned revenue represents the balance of the economic support that has been received but not yet used for its intended purpose.

Deferred Inflows of Resources

The Medical Center reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in separate sections of its statements of net position.

Net Position

Net position of the Organization is classified in four components on its statements of net position.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Organization, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Organization, such as permanent endowments.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes 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 related services are rendered, and such estimated amounts are revised in future periods as adjustments become known.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Charity Care

The Medical Center provides charity care to patients who qualify under the Colorado Indigent Care Program (the Program) and/or its own charity care policy. The Program provides reimbursement for services at less than the Medical Center's established rates. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Property Taxes

The Medical Center received approximately 1% of its gross financial support from property taxes in 2020 and 2019. These funds were used to support operations. Taxes are recorded as revenue in the year they are assessed.

Income Taxes

As an essential government function of the counties, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Medical Center is subject to federal income tax on any unrelated business taxable income.

The Foundation is an entity as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no effect on the change in net position.

Subsequent Events

Subsequent events have been evaluated through April 29, 2021, which is the date the financial statements were available to be issued.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Note 2: Change in Accounting Principle

In 2020, the Organization implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (GASB 97). GASB 97 increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain plans, and enhances the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans. The Organization's defined contribution retirement plans consist of a 401(a) Money Purchase Plan and a 457(b) plan. When the criteria within GASB 97 are applied to these plans, the plans are not considered fiduciary funds. Other than the exclusion of these plans as fiduciary funds, the implementation of GASB 97 had no other impact on the Organization's financial statements.

Note 3: 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 Medical Center'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 that receive less than 10% of their annual revenue in grants from all state and local governments combined. The Medical Center is of the opinion that its operations qualify for this exclusion.

Note 4: Charity Care

The costs of charity care provided under the Medical Center's charity care policy and participation in the Colorado Indigent Care Program were approximately \$350,000 and \$258,000 in 2020 and 2019, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges. Applications for charitable assistance have been significantly reduced by the Medicaid expansion under the Affordable Care Act.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Note 5: Net Patient Service Revenue

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

Medicare. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursed basis. Certain outpatient services related to Medicare beneficiaries are paid based on a combination of fee schedules and a cost-reimbursement methodology. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor.

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. Inpatient nonacute services, certain outpatient services and defined capital costs related to Medicaid beneficiaries are paid based on a cost-reimbursement methodology. The Medical Center is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary.

Approximately 56% and 58% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2020 and 2019, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes discounts from established charges for hospital facility services and percentages above the Medicare Fee Schedule for physician professional services.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2020 and 2019

The Colorado Healthcare Affordability Act, designated as House Bill 1293 (HB 1293), was passed during 2009 implementing a fee on hospitals to generate matching funds to the State of Colorado from federal sources. Implementation of this act occurred during April of 2010. HB 1293 was superseded by Senate Bill 17-267 which repealed the Hospital Provider Fee and created the Colorado Healthcare Accountability and Sustainability Enterprise (CHASE), with the following effect on the Medical Center's financial statements:

	2020	2019
Colorado Indigent Care Program - supplemental revenue	\$ 568,312	\$ 526,506
CHASE supplemental payments included in patient service revenue	5,401,951	5,406,072
CHASE fee expense	(2,346,052)	(1,808,263)
Effect of SB 17-267	\$ 3,624,211	\$ 4,124,315

Patient service revenue, after deductions for contractual allowances and uncollectible accounts, is as follows:

	2020		
	Gross Revenue	Contractual Adjustments and Uncollectible Accounts	Net Patient Service Revenue
Medicare	\$ 91,593,234	\$ 54,477,676	\$ 37,115,558
Medicaid	23,485,696	13,613,811	9,871,885
Other	52,845,685	15,685,649	37,160,036
Total	\$ 167,924,615	\$ 83,777,136	\$ 84,147,479
	2019		
	Gross Revenue	Contractual Adjustments and Uncollectible Accounts	Net Patient Service Revenue
Medicare	\$ 88,976,178	\$ 53,730,244	\$ 35,245,934
Medicaid	23,062,826	10,926,499	12,136,327
Other	51,034,180	16,917,355	34,116,825
Total	\$ 163,073,184	\$ 81,574,098	\$ 81,499,086

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Notes to Financial Statements
December 31, 2020 and 2019**

Note 6: Patients Accounts Receivable

The Medical Center grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, 2020 and 2019 consisted of:

	2020	2019
Medicare	\$ 13,569,278	\$ 11,470,135
Medicaid	2,544,031	3,134,478
Other third-party payers	10,241,164	11,444,853
Patients	1,643,488	1,715,322
	27,997,961	27,764,788
Less allowance for contractuels and uncollectible accounts	14,632,931	14,861,481
Total	\$ 13,365,030	\$ 12,903,307

Note 7: Deposits and Investments

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The Organization's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The Colorado Public Deposit Protection Act (the PDPA) requires financial institutions to collateralize any uninsured public deposits. The bank balance is insured by federal insurance (FDIC) for up to \$250,000 for interest and noninterest bearing accounts. Any excess of deposit accounts over the FDIC limit that is not insured is covered by collateral pledged by the financial institution in accordance with the PDPA. Pledged collateral is reported to, and reviewed by, the Medical Center.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2020 and 2019

At December 31, 2020 and 2019, \$24,142,571 and \$6,981,011, respectively, of the Organization's bank balances of \$25,715,391 and \$8,361,733, respectively, were exposed to custodial credit risk as follows:

	2020	2019
Uninsured and uncollateralized	\$ 803,125	\$ -
Insured (FDIC) or collateralized with securities held by the Organization	1,572,820	1,380,722
Uninsured and collateral held by the pledging financial institution's trust department or agent in other than the Organization's name	23,339,446	6,981,011
	<u>\$ 25,715,391</u>	<u>\$ 8,361,733</u>

Investments

The Organization may legally invest in investments in compliance with the Colorado PDPA.

At December 31, 2020 and 2019, the Organization had the following investments and maturities:

Type	Fair Value	2020	
		Maturities in Years	
		Less than 1	1-5
U.S. Treasury and Agency obligations	\$ 24,169,974	\$ 14,640,122	\$ 9,529,852
Money market funds	11,431,186	11,431,186	-
	<u>\$ 35,601,160</u>	<u>\$ 26,071,308</u>	<u>\$ 9,529,852</u>

Type	Fair Value	2019	
		Maturities in Years	
		Less than 1	1-5
U.S. Treasury and Agency obligations	\$ 36,423,167	\$ 16,631,781	\$ 19,791,386
Money market funds	4,862,423	4,862,423	-
	<u>\$ 41,285,590</u>	<u>\$ 21,494,204</u>	<u>\$ 19,791,386</u>

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Organization’s investment policy is limited to purchasing securities that mature in five years or less from the date of purchase. Money market funds are not permitted to invest in securities with maturities longer than one year and as such are considered to be in compliance with this policy.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Organization’s policy to limit new purchases of investments to only investments in compliance with the Colorado PDPA. At December 31, 2020 and 2019, the Organization’s investments were in compliance with the policy, including the investments in money market funds which are unrated.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The Organization will not have any single investment exceed one-third of the total portfolio, except for U.S. Treasury securities and federal agencies. At December 31, 2020 and 2019, the Organization’s investment in U.S. Treasury securities and agency obligations constituted 68% and 88%, respectively, of its total investments.

Foreign Currency Risk – This risk is related to adverse effects on the fair value of an investment from changes in exchange rates. The Organization’s investment policy does not permit foreign currency holdings at December 31, 2020.

Summary of Carrying Values

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

	2020	2019
Carrying value		
Deposits	\$ 24,401,689	\$ 7,879,149
Money market funds	11,431,186	4,862,423
Investments	24,169,974	36,423,167
Interest receivable	75,760	160,954
Cash on hand	2,521	2,171
Total	\$ 60,081,130	\$ 49,327,864

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2020 and 2019

Included in the following statements of net position captions:

	2020	2019
Cash and cash equivalents	\$ 20,544,795	\$ 5,591,111
Certificates of deposit	723,656	706,617
Cash and investments internally designated by Board of Directors, current	27,200,193	21,655,158
Noncurrent cash and investments		
Certificates of deposit	500,000	517,039
Internally designated by Board of Directors	10,736,717	20,471,343
Externally restricted by donors	375,769	386,596
Total	\$ 60,081,130	\$ 49,327,864

Investment Income

Investment income for the years ended December 31 consisted of:

	2020	2019
Interest income/realized gains	\$ 742,237	\$ 1,127,841
Net change in fair value of investments - unrealized gains and losses	(53,757)	205,304
Total	\$ 688,480	\$ 1,333,145

Note 8: Disclosures About Fair Value of Assets

The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Organization has the following recurring fair value measurements as of December 31, 2020 and 2019:

- Money market funds of \$11,431,186 and \$4,862,423, respectively, are valued using quoted market prices (Level 1 inputs).
- U.S. Treasury and Agency obligations of \$24,169,974 and \$36,423,167, respectively, are valued using quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset (Level 2 inputs).

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Note 9: Investment in Joint Venture

The investment in joint venture relates to a 50% ownership in Heart of the Rockies Home Health and Hospice, LLC. The joint venture began operations on January 1, 2006. Financial positions and results of operations of the investee are summarized below:

	2020 (Unaudited)	2019 (Unaudited)
Current assets	\$ 771,962	\$ 684,284
Property and other long-term assets, net	46,514	57,113
Total assets	818,476	741,397
Current liabilities	389,701	317,373
Members' equity	\$ 428,775	\$ 424,024
Net revenues	\$ 2,686,688	\$ 2,682,309
Net income	\$ 115,850	\$ 310,923

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2020 and 2019

Note 10: Capital Assets

Capital assets activity for the years ended December 31, 2020 and 2019 were:

	2020				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 2,137,711	\$ -	\$ -	\$ 59,957	\$ 2,197,668
Land improvements	7,620,236	10,082	-	824,347	8,454,665
Buildings and improvements	35,573,331	-	-	1,302,142	36,875,473
Equipment	43,926,398	2,785,562	(332,185)	1,686,968	48,066,743
Construction in progress	2,679,232	7,129,223	-	(3,873,414)	5,935,041
	<u>91,936,908</u>	<u>9,924,867</u>	<u>(332,185)</u>	<u>-</u>	<u>101,529,590</u>
Less accumulated depreciation					
Land improvements	3,203,732	541,149	-	-	3,744,881
Buildings and improvements	9,624,327	1,361,179	-	-	10,985,506
Equipment	24,433,292	3,089,240	(332,185)	-	27,190,347
	<u>37,261,351</u>	<u>4,991,568</u>	<u>(332,185)</u>	<u>-</u>	<u>41,920,734</u>
Capital assets, net	<u>\$ 54,675,557</u>	<u>\$ 4,933,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,608,856</u>
	2019				
	Beginning Balance	Additions	Disposals and Retirements	Transfers	Ending Balance
Land	\$ 1,666,837	\$ 94,469	\$ (5,524)	\$ 381,929	\$ 2,137,711
Land improvements	6,033,001	26,310	(371,297)	1,932,222	7,620,236
Buildings and improvements	22,984,055	50,618	-	12,538,658	35,573,331
Equipment	32,443,679	2,494,404	(447,973)	9,436,288	43,926,398
Construction in progress	16,725,786	10,242,543	-	(24,289,097)	2,679,232
	<u>79,853,358</u>	<u>12,908,344</u>	<u>(824,794)</u>	<u>-</u>	<u>91,936,908</u>
Less accumulated depreciation					
Land improvements	2,781,819	427,891	(5,978)	-	3,203,732
Buildings and improvements	8,483,235	1,141,092	-	-	9,624,327
Equipment	22,178,832	2,702,434	(447,974)	-	24,433,292
	<u>33,443,886</u>	<u>4,271,417</u>	<u>(453,952)</u>	<u>-</u>	<u>37,261,351</u>
Capital assets, net	<u>\$ 46,409,472</u>	<u>\$ 8,636,927</u>	<u>\$ (370,842)</u>	<u>\$ -</u>	<u>\$ 54,675,557</u>

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2020 and 2019

Note 11: Long-term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended December 31, 2020 and 2019:

	2020				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Long-term debt					
Note from direct borrowing	\$ 30,220,000	\$ -	\$ 1,395,000	\$ 28,825,000	\$ 1,435,000
Other long-term liabilities					
Medicare accelerated payments	-	8,702,959	-	8,702,959	3,783,942
Total long-term liabilities	<u>\$ 30,220,000</u>	<u>\$ 8,702,959</u>	<u>\$ 1,395,000</u>	<u>\$ 37,527,959</u>	<u>\$ 5,218,942</u>
	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Note from direct borrowing	<u>\$ 31,575,000</u>	<u>\$ -</u>	<u>\$ 1,355,000</u>	<u>\$ 30,220,000</u>	<u>\$ 1,395,000</u>

Note from Direct Borrowing

The note payable to bank, in the original amount of \$23,555,000, is due October 1, 2036. Additionally, the Medical Center borrowed an additional \$10,000,000, to fund the construction, improvement, and equipping of hospital facilities. These proceeds were received on October 1, 2018. Principal on the note is payable annually and interest is payable semi-annually on each April 1 and October 1 with interest at 2.96%.

The Organization's outstanding note from direct borrowing of \$30,220,000 is secured by the Medical Center's net revenues. This outstanding note contains a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due as listed in the events of default in the agreement.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2020 and 2019

The debt service requirements as of December 31, 2020, are as follows:

Year Ended December 31,	Total to be Paid	Principal	Interest
2021	\$ 2,288,220	\$ 1,435,000	\$ 853,220
2022	2,290,744	1,480,000	810,744
2023	2,286,936	1,520,000	766,936
2024	2,286,944	1,565,000	721,944
2025	2,285,620	1,610,000	675,620
2026 - 2030	11,438,660	8,805,000	2,633,660
2031 - 2035	11,441,044	10,190,000	1,251,044
2036	<u>2,285,712</u>	<u>2,220,000</u>	<u>65,712</u>
Total	<u>\$ 36,603,880</u>	<u>\$ 28,825,000</u>	<u>\$ 7,778,880</u>

Medicare Accelerated and Advanced Payment Program

During the year ended December 31, 2020, the Medical Center requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended December 31, 2020, the Medical Center received approximately \$8,703,000 from these accelerated Medicare payment requests. These unapplied amounts of accelerated Medicare payment requests are recorded under the caption of Medicare accelerated payments under current and other liabilities in the accompanying statements of net position.

Note 12: Risk Management

The Medical Center 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 claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

The Medical Center self-insures the cost of employees' health care benefits and has purchased annual stop-loss insurance coverage for individual claims exceeding \$100,000 after satisfaction of the aggregate \$35,000 plan specific limit. 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, and frequency of claims. It is possible that the Medical Center's estimate could change.

Activity in the Medical Center's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 900,000	\$ 500,000
Current year claims incurred and changes in estimates for claims incurred in prior years	6,098,432	5,704,313
Claims and expenses paid	(6,098,432)	(5,304,313)
Balance, end of year	\$ 900,000	\$ 900,000

The Medical Center is a member of the Colorado Hospital Association Trust for Workers' Compensation (the Trust). The Trust was formed to provide workers' compensation insurance to member hospitals in Colorado. The Medical Center pays fixed annual premiums to the Trust. The Trust is self-funded and purchases stop-loss insurance coverage.

Note 13: Medical Malpractice Claims

The Medical Center purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term. Further, the Medical Center is subject to the provisions of the Colorado Governmental Immunity Act, which provides a limitation on the liability of the Medical Center.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements December 31, 2020 and 2019

Note 14: Restricted Net Position

At December 31, 2020 and 2019, restricted expendable and nonexpendable net position were available for the following purposes:

	2020	2019
Restricted – Expendable		
Scholarships	\$ 14,746	\$ 25,905
Other	321,024	320,691
	\$ 335,770	\$ 346,596
Restricted – Nonexpendable		
Endowment restricted by donors for investment in perpetuity	\$ 40,000	\$ 40,000

Note 15: Employee Retirement Plans

The Medical Center has two types of defined contribution retirement plans for its employees. The first is a 401(a) Money Purchase Plan into which employees are required to contribute 3.75% of pre-tax wages in lieu of social security contributions, which are matched by the Medical Center. The second plan is a 457(b) plan which permits employees to make additional pre-tax contributions from their wages up to defined IRS limitations. The Medical Center will contribute up to 3.25% of each employee's pre-tax wages to match contributions made by the employees to the 457(b) plan. In total, the Medical Center's contributions are limited to this combined 7% and only to the extent of each individual employee's contributions to the plans up to a maximum of \$15,000 per employee.

Pension expense is recorded for the amount of the Medical Center's required contributions and administrative fees determined in accordance with the terms of the plans. The Medical Center has an appointed investment committee, including the CEO and an external investment advisor, to administer the plans. Benefit provisions are contained in the plan documents and, where established, can be amended by action of the Medical Center's Board of Directors and management. Employee contributions of pre-tax wages are subject to a maximum set by the Internal Revenue Service.

Contribution rates to all plans for plan members and the Medical Center expressed as a percentage of covered payrolls were 9.77% and 6.17% for 2020 and 10.02% and 6.25% for 2019, respectively. Contributions actually made by plan members and the Medical Center aggregated \$3,455,730 and \$2,171,435 during 2020, and \$3,097,628 and \$1,932,121 during 2019.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Note 16: Commitments and Contingencies

Litigation

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Medical Center 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 loss, if any, for each. No such loss has been recorded for the year ended December 31, 2020. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Future Land Development

In 2020, the Medical Center completed the final structure planned with its main campus expansion and development initiatives begun in 2017. The lab expansion delayed in 2019 was completed within budget in February 2020. The owner of the first of two lots sold in 2018 and 2019 began construction of a clinic building which was completed in February 2021. This continued to expand the multi facility healthcare campus envisioned by the Hospital. The Rural Health Clinic expansion project in the northern part of the district continued during 2020 but with various delays related to the COVID-19 pandemic. Originally slated to open in August, construction was close to completion by the end of the year with \$409,163 held in retention payable. The new expansion opened in January 2021 and subsequent remodeling continuing.

Note 17: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases. Current restrictions still affecting the Hospital include pre-non-emergent surgery testing, use of PPE and social distancing affecting throughput and volumes, continued patient reluctance to seek out non emergent care, patient and visitor screening, and visitation limitations.

The extent of the COVID-19 pandemic's adverse effect on the Medical Center's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Medical Center's control and ability to forecast.

Because of these and other uncertainties, the Medical Center cannot estimate the length or severity of the effect of the pandemic on the Medical Center's business.

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Notes to Financial Statements

December 31, 2020 and 2019

Medicare Accelerated and Advance Payment Program

The Medical Center requested accelerated Medicare payments as provided for in the CARES Act as discussed in Note 11.

Provider Relief Fund

During the year ended December 31, 2020, the Medical Center received \$6,490,686 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Medical Center is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Medical Center is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Medical Center's operating revenues and expenses through December 31, 2020, the Medical Center recognized \$2,460,566, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue in noncapital grants and gifts in our statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions are recorded as part of unearned revenue in the accompanying statements of net position.

The Medical Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Medical Center's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Medical Center is unable to attest to or comply with current or future terms and conditions the Medical Center's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Medical Center's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Supplementary Information

Salida Hospital District d/b/a Heart of the Rockies Regional Medical Center

Combining Statement of Net Position December 31, 2020

Assets

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Current Assets				
Cash and cash equivalents	\$ 19,946,105	\$ 598,690	\$ -	\$ 20,544,795
Certificates of deposit	517,039	206,617	-	723,656
Patient accounts receivable, net of allowance of \$3,032,379	13,365,030	-	-	13,365,030
Inventories	2,755,985	-	-	2,755,985
Prepaid expenses and other	2,082,431	2,056	(988)	2,083,499
Estimated amounts due from third-party payers	932,509	-	-	932,509
Cash and investments internally designated by Board of Directors, current	<u>27,200,193</u>	<u>-</u>	<u>-</u>	<u>27,200,193</u>
Total current assets	<u>66,799,292</u>	<u>807,363</u>	<u>(988)</u>	<u>67,605,667</u>
Noncurrent Cash and Investments				
Cash and investments internally designated by Board of Directors	10,736,717	-	-	10,736,717
Certificates of deposit	500,000	-	-	500,000
Externally restricted by donors	<u>132,425</u>	<u>243,344</u>	<u>-</u>	<u>375,769</u>
Total noncurrent cash and investments	<u>11,369,142</u>	<u>243,344</u>	<u>-</u>	<u>11,612,486</u>
Investment in Joint Venture	<u>214,387</u>	<u>-</u>	<u>-</u>	<u>214,387</u>
Capital Assets, Net	<u>59,608,856</u>	<u>-</u>	<u>-</u>	<u>59,608,856</u>
Other Assets				
Lease receivable	<u>402,099</u>	<u>-</u>	<u>-</u>	<u>402,099</u>
Total assets	<u>\$ 138,393,776</u>	<u>\$ 1,050,707</u>	<u>\$ (988)</u>	<u>\$ 139,443,495</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

Combining Statement of Net Position (continued)

December 31, 2020

**Liabilities, Deferred Inflows of
Resources and Net Position**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Current Liabilities				
Accounts payable	\$ 3,261,729	\$ 1,033	\$ (988)	\$ 3,261,774
Accrued compensation and paid time off	2,976,863	-	-	2,976,863
Current maturities of long-term debt	1,435,000	-	-	1,435,000
Other current liabilities	714,198	-	-	714,198
Estimated self-insurance costs	900,000	-	-	900,000
Unearned revenue	4,030,120	2,500	-	4,032,620
Current portion of Medicare accelerated payments	3,783,942	-	-	3,783,942
	<u>17,101,852</u>	<u>3,533</u>	<u>(988)</u>	<u>17,104,397</u>
Total current liabilities				
Other Liabilities				
Long-term portion of Medicare accelerated payments	4,919,017	-	-	4,919,017
Long-term debt	27,390,000	-	-	27,390,000
	<u>32,309,017</u>	<u>-</u>	<u>-</u>	<u>32,309,017</u>
Total other liabilities				
	<u>49,410,869</u>	<u>3,533</u>	<u>(988)</u>	<u>49,413,414</u>
Total liabilities				
Deferred Inflows of Resources				
Lease revenue	46,291	-	-	46,291
	<u>46,291</u>	<u>-</u>	<u>-</u>	<u>46,291</u>
Total liabilities and deferred inflows of resources				
	<u>49,457,160</u>	<u>3,533</u>	<u>(988)</u>	<u>49,459,705</u>
Net Position				
Net investment in capital assets	29,180,094	-	-	29,180,094
Restricted expendable				
Scholarships	-	14,746	-	14,746
Other	92,425	228,599	-	321,024
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	59,624,097	803,829	-	60,427,926
	<u>88,936,616</u>	<u>1,047,174</u>	<u>-</u>	<u>89,983,790</u>
Total net position				
Total liabilities, deferred inflows of resources and net position				
	<u>\$ 138,393,776</u>	<u>\$ 1,050,707</u>	<u>\$ (988)</u>	<u>\$ 139,443,495</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

**Combining Statement of Net Position
December 31, 2019**

Assets

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Current Assets				
Cash and cash equivalents	\$ 5,022,677	\$ 568,434	\$ -	\$ 5,591,111
Certificates of deposit	500,000	206,617	-	706,617
Patient accounts receivable, net of allowance of \$3,720,350	12,903,307	-	-	12,903,307
Inventories	2,501,754	-	-	2,501,754
Prepaid expenses and other	1,991,143	914	-	1,992,057
Estimated amounts due from third-party payers	224,559	-	-	224,559
Cash and investments internally designated by Board of Directors, current	<u>21,655,158</u>	<u>-</u>	<u>-</u>	<u>21,655,158</u>
Total current assets	<u>44,798,598</u>	<u>775,965</u>	<u>-</u>	<u>45,574,563</u>
Noncurrent Cash and Investments				
Cash and investments internally designated by Board of Directors	20,471,343	-	-	20,471,343
Certificates of deposit	517,039	-	-	517,039
Externally restricted by donors	<u>132,425</u>	<u>254,171</u>	<u>-</u>	<u>386,596</u>
Total noncurrent cash and investments	<u>21,120,807</u>	<u>254,171</u>	<u>-</u>	<u>21,374,978</u>
Investment in Joint Venture	<u>212,012</u>	<u>-</u>	<u>-</u>	<u>212,012</u>
Capital Assets, Net	<u>54,675,557</u>	<u>-</u>	<u>-</u>	<u>54,675,557</u>
Other Assets				
Lease receivable	<u>435,608</u>	<u>-</u>	<u>-</u>	<u>435,608</u>
Total assets	<u>\$ 121,242,582</u>	<u>\$ 1,030,136</u>	<u>\$ -</u>	<u>\$ 122,272,718</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**

Combining Statement of Net Position (continued)

December 31, 2019

**Liabilities, Deferred Inflows of
Resources and Net Position**

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Current Liabilities				
Accounts payable	\$ 3,925,056	\$ -	\$ -	\$ 3,925,056
Accrued compensation and paid time off	3,854,692	-	-	3,854,692
Current maturities of long-term debt	1,395,000	-	-	1,395,000
Other current liabilities	501,191	-	-	501,191
Estimated self-insurance costs	900,000	-	-	900,000
	<u>10,575,939</u>	<u>-</u>	<u>-</u>	<u>10,575,939</u>
Long-term Debt	<u>28,825,000</u>	<u>-</u>	<u>-</u>	<u>28,825,000</u>
	<u>39,400,939</u>	<u>-</u>	<u>-</u>	<u>39,400,939</u>
Deferred Inflows of Resources				
Lease revenue	<u>50,149</u>	<u>-</u>	<u>-</u>	<u>50,149</u>
	<u>39,451,088</u>	<u>-</u>	<u>-</u>	<u>39,451,088</u>
Net Position				
Net investment in capital assets	22,509,072	-	-	22,509,072
Restricted expendable				
Scholarships	-	25,905	-	25,905
Other	92,425	228,266	-	320,691
Restricted nonexpendable	40,000	-	-	40,000
Unrestricted	<u>59,149,997</u>	<u>775,965</u>	<u>-</u>	<u>59,925,962</u>
	<u>81,791,494</u>	<u>1,030,136</u>	<u>-</u>	<u>82,821,630</u>
	<u>\$ 121,242,582</u>	<u>\$ 1,030,136</u>	<u>\$ -</u>	<u>\$ 122,272,718</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2020

	Medical Center	Foundation	Eliminations	Combined
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts of \$2,408,658	\$ 84,147,479	\$ -	\$ -	\$ 84,147,479
Other operating revenue	3,265,114	-	-	3,265,114
Total operating revenues	<u>87,412,593</u>	<u>-</u>	<u>-</u>	<u>87,412,593</u>
Operating Expenses				
Salaries and wages	35,367,685	9,528	-	35,377,213
Employee benefits	13,182,572	-	-	13,182,572
Supplies	15,725,564	-	-	15,725,564
Purchased services	3,974,890	-	-	3,974,890
Professional fees	2,725,763	-	-	2,725,763
Depreciation	4,991,568	-	-	4,991,568
Provider fee expense	2,346,052	-	-	2,346,052
Repairs and maintenance	3,015,703	-	-	3,015,703
Lease and rental	229,231	-	-	229,231
Utilities	752,949	-	-	752,949
Insurance	410,884	-	-	410,884
Other expenses	2,473,559	13,180	-	2,486,739
Total operating expenses	<u>85,196,420</u>	<u>22,708</u>	<u>-</u>	<u>85,219,128</u>
Operating Income (Loss)	<u>2,216,173</u>	<u>(22,708)</u>	<u>-</u>	<u>2,193,465</u>
Nonoperating Revenues (Expenses)				
Property taxes	1,027,653	-	-	1,027,653
Interest income	735,883	6,354	-	742,237
Noncapital grants and gifts	3,329,122	127,621	(39,134)	3,417,609
Contributions to the Medical Center	-	(55,683)	55,683	-
Loss on investments	(53,757)	-	-	(53,757)
Interest expense	(884,189)	-	-	(884,189)
Gain on sale of capital assets	13,858	-	-	13,858
Gain on other investments	57,925	-	-	57,925
Other	-	(38,546)	-	(38,546)
Total nonoperating revenues (expenses)	<u>4,226,495</u>	<u>39,746</u>	<u>16,549</u>	<u>4,282,790</u>
Excess of Revenues Over Expenses Before Capital Gifts	6,442,668	17,038	16,549	6,476,255
Gifts and Grants to Purchase Capital Assets	<u>702,454</u>	<u>-</u>	<u>(16,549)</u>	<u>685,905</u>
Increase in Net Position	7,145,122	17,038	-	7,162,160
Net Position, Beginning of Year	<u>81,791,494</u>	<u>1,030,136</u>	<u>-</u>	<u>82,821,630</u>
Net Position, End of Year	<u>\$ 88,936,616</u>	<u>\$ 1,047,174</u>	<u>\$ -</u>	<u>\$ 89,983,790</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2019

	<u>Medical Center</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating Revenues				
Net patient service revenue, net of provision for uncollectible accounts of \$2,264,549	\$ 81,499,086	\$ -	\$ -	\$ 81,499,086
Other operating revenue	<u>1,628,351</u>	<u>-</u>	<u>-</u>	<u>1,628,351</u>
Total operating revenues	<u>83,127,437</u>	<u>-</u>	<u>-</u>	<u>83,127,437</u>
Operating Expenses				
Salaries and wages	31,010,358	8,568	-	31,018,926
Employee benefits	11,276,095	-	-	11,276,095
Supplies	13,972,656	-	-	13,972,656
Purchased services	4,301,747	7,806	-	4,309,553
Professional fees	2,002,468	-	-	2,002,468
Depreciation	4,271,417	-	-	4,271,417
Provider fee expense	1,808,263	-	-	1,808,263
Repairs and maintenance	2,340,388	-	-	2,340,388
Lease and rental	393,278	-	-	393,278
Utilities	707,844	-	-	707,844
Insurance	385,327	-	-	385,327
Other expenses	<u>2,423,336</u>	<u>11,158</u>	<u>-</u>	<u>2,434,494</u>
Total operating expenses	<u>74,893,177</u>	<u>27,532</u>	<u>-</u>	<u>74,920,709</u>
Operating Income (Loss)	<u>8,234,260</u>	<u>(27,532)</u>	<u>-</u>	<u>8,206,728</u>
Nonoperating Revenues (Expenses)				
Property taxes	963,874	-	-	963,874
Interest income	1,121,934	5,907	-	1,127,841
Noncapital grants and gifts	238,691	141,443	(2,006)	378,128
Contributions to the Medical Center	-	(128,818)	128,818	-
Gain on investments	205,304	-	-	205,304
Interest expense	(924,593)	-	-	(924,593)
Gain on sale of capital assets	132,515	-	-	132,515
Gain on other investments	155,461	-	-	155,461
Other	<u>-</u>	<u>(77,197)</u>	<u>-</u>	<u>(77,197)</u>
Total nonoperating revenues (expenses)	<u>1,893,186</u>	<u>(58,665)</u>	<u>126,812</u>	<u>1,961,333</u>
Excess (Deficiency) of Revenues Over Expenses Before Capital Gifts	<u>10,127,446</u>	<u>(86,197)</u>	<u>126,812</u>	<u>10,168,061</u>
Gifts and Grants to Purchase Capital Assets	<u>183,988</u>	<u>88,286</u>	<u>(126,812)</u>	<u>145,462</u>
Increase in Net Position	<u>10,311,434</u>	<u>2,089</u>	<u>-</u>	<u>10,313,523</u>
Net Position, Beginning of Year	<u>71,480,060</u>	<u>1,028,047</u>	<u>-</u>	<u>72,508,107</u>
Net Position, End of Year	<u>\$ 81,791,494</u>	<u>\$ 1,030,136</u>	<u>\$ -</u>	<u>\$ 82,821,630</u>

**Salida Hospital District d/b/a Heart of the Rockies
Regional Medical Center**
Budgeted and Actual Revenues and Expenses – Medical Center Only
Year Ended December 31, 2020

	Actual	Budget	Favorable (Unfavorable) Variance
Operating Revenues			
Net patient service revenue	\$ 84,147,479	\$ 86,074,529	\$ (1,927,050)
Other operating revenue	3,265,114	2,768,955	496,159
	<u>87,412,593</u>	<u>88,843,484</u>	<u>(1,430,891)</u>
Operating Expenses			
Salaries, wages and employee benefits	48,550,257	48,911,781	361,524
Other operating expenses	36,646,163	35,807,879	(838,284)
	<u>85,196,420</u>	<u>84,719,660</u>	<u>(476,760)</u>
Operating Income	2,216,173	4,123,824	(1,907,651)
Nonoperating Revenues (Expenses), Net	<u>4,226,495</u>	<u>1,233,675</u>	<u>2,992,820</u>
Excess of Revenues Over Expenses Before Capital Gifts	<u>\$ 6,442,668</u>	<u>\$ 5,357,499</u>	<u>\$ 1,085,169</u>

Notes 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 generally accepted accounting principles.

Appropriations are adopted by resolution in total. There were no supplemental budgets adopted during 2020.