

**Northwest Colorado Visiting Nurse Association
d/b/a Northwest Colorado Health and Affiliate**

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2021 and 2020

**Northwest Colorado Visiting Nurse Association
d/b/a Northwest Colorado Health and Affiliate
December 31, 2021 and 2020**

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Independent Auditor's Report

Board of Directors
Northwest Colorado Visiting Nurse Association
d/b/a Northwest Colorado Health and Affiliate
Steamboat Springs, Colorado

Opinion

We have audited the consolidated financial statements of Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health Affiliate (the Organization), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2021 and 2020, and the consolidated results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

Board of Directors
Northwest Colorado Visiting Nurse Association
d/b/a Northwest Colorado Health and Affiliate

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Northwest Colorado Visiting Nurse Association
d/b/a Northwest Colorado Health and Affiliate

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

FORVIS,LLP

Denver, Colorado
September 26, 2022

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Consolidated Balance Sheets December 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 3,584,852	\$ 3,322,927
Patient accounts receivable	614,165	713,577
Estimated amounts due from third-party payers	-	24,677
Due from agencies	872,581	660,478
Grant and other receivables	326,332	-
Prepaid expenses and other assets	238,003	281,532
	<hr/>	<hr/>
Total current assets	5,635,933	5,003,191
	<hr/>	<hr/>
Deposits	26,279	26,279
	<hr/>	<hr/>
Beneficial Interest in Assets Held by Yampa Valley Community Foundation	363,644	179,335
	<hr/>	<hr/>
Property and Equipment, at Cost		
Land	1,173,817	1,173,817
Buildings and building improvements	9,793,528	9,155,564
Furniture, equipment and vehicles	807,345	697,262
Construction in progress	68,816	255,214
	<hr/>	<hr/>
	11,843,506	11,281,857
Less accumulated depreciation	4,249,804	3,935,033
	<hr/>	<hr/>
	7,593,702	7,346,824
	<hr/>	<hr/>
Total assets	<u><u>\$ 13,619,558</u></u>	<u><u>\$ 12,555,629</u></u>

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Consolidated Balance Sheets (continued)

December 31, 2021 and 2020

Liabilities and Net Assets

	2021	2020
Current Liabilities		
Current maturities of long-term debt	\$ 73,328	\$ 70,758
Accounts payable	283,432	276,129
Accrued payroll and benefits	1,166,074	1,122,863
Assets held on behalf of others	54,980	109,522
	<u>1,577,814</u>	<u>1,579,272</u>
Long-term Debt	<u>1,661,875</u>	<u>1,731,351</u>
	<u>3,239,689</u>	<u>3,310,623</u>
Net Assets		
Without donor restrictions		
Board-designated – Special Projects Fund	150,931	124,544
Undesignated	9,426,860	8,439,624
	<u>9,577,791</u>	<u>8,564,168</u>
With donor restrictions	<u>802,078</u>	<u>680,838</u>
	<u>10,379,869</u>	<u>9,245,006</u>
	<u>\$ 13,619,558</u>	<u>\$ 12,555,629</u>

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Consolidated Statements of Operations Years Ended December 31, 2021 and 2020

	2021	2020
Revenues, Gains and Other Support Without Donor Restrictions		
Patient service revenue	\$ 7,075,758	\$ 6,345,030
Agency contracts and grants	5,060,538	4,636,355
Contributions	1,080,557	930,107
Other income	55,532	64,717
In-kind contributions	76,634	57,014
Net assets released from restrictions used for operations	<u>810,398</u>	<u>3,357,601</u>
 Total revenues, gains and other support without donor restrictions	 <u>14,159,417</u>	 <u>15,390,824</u>
Expenses		
Salaries and benefits	10,018,482	10,596,767
Contract and professional services	826,942	676,083
Supplies	805,519	753,278
Other operating expenses	1,588,373	1,502,807
Depreciation and amortization	309,828	299,810
Interest expense	62,683	65,419
In-kind expenses	<u>76,634</u>	<u>57,014</u>
 Total expenses	 <u>13,688,461</u>	 <u>13,951,178</u>
Operating Income	 <u>470,956</u>	 <u>1,439,646</u>
Other Income		
Change in beneficial interest in net assets held by Yampa Valley Community Foundation	34,308	25,389
Rental income, net of expenses	13,637	18,053
Investment income	<u>2,934</u>	<u>3,524</u>
 Total other income	 <u>50,879</u>	 <u>46,966</u>
Excess of Revenues Over Expenses	 521,835	 1,486,612
 Net assets released from restrictions used for the purchase of property and equipment	 <u>491,788</u>	 <u>458,092</u>
Increase in Net Assets Without Donor Restrictions	 <u><u>\$ 1,013,623</u></u>	 <u><u>\$ 1,944,704</u></u>

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Consolidated Statements of Changes in Net Assets Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions		
Excess of revenues over expenses	\$ 521,835	\$ 1,486,612
Net assets released from restrictions used for the purchase of property and equipment	<u>491,788</u>	<u>458,092</u>
Increase in net assets without donor restrictions	<u>1,013,623</u>	<u>1,944,704</u>
Net Assets With Donor Restrictions		
Contributions received	1,423,426	3,740,008
Net assets released from restrictions	<u>(1,302,186)</u>	<u>(3,815,693)</u>
Increase (decrease) in net assets with donor restrictions	<u>121,240</u>	<u>(75,685)</u>
Change in Net Assets	1,134,863	1,869,019
Net Assets, Beginning of Year	<u>9,245,006</u>	<u>7,375,987</u>
Net Assets, End of Year	<u><u>\$ 10,379,869</u></u>	<u><u>\$ 9,245,006</u></u>

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Consolidated Statements of Cash Flows Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 1,134,863	\$ 1,869,019
Proceeds from issuance of Paycheck Protection Program (PPP) loan	-	1,944,600
Items not requiring cash		
Depreciation and amortization	309,828	299,810
Change in beneficial interest in assets held by Yampa Valley Community Foundation	(184,309)	(25,389)
PPP loan forgiveness	-	(1,944,600)
Changes in		
Patient accounts receivable, net	99,412	46,728
Estimated amounts due from third-party payers	24,677	6,227
Due from agencies	(212,103)	111,026
Grant and other receivables	(326,332)	-
Prepaid expenses, other assets and deposits	43,529	46,435
Accounts payable	46,834	17,138
Accrued payroll and benefits	43,211	142,554
Assets held on behalf of others	(54,542)	(67,540)
Net cash provided by operating activities	<u>925,068</u>	<u>2,446,008</u>
Investing Activities		
Purchase of property and equipment	<u>(592,692)</u>	<u>(456,395)</u>
Net cash used in investing activities	<u>(592,692)</u>	<u>(456,395)</u>
Financing Activities		
Principal payments on long-term debt	<u>(70,451)</u>	<u>(67,679)</u>
Net cash used in financing activities	<u>(70,451)</u>	<u>(67,679)</u>
Increase in Cash and Cash Equivalents	261,925	1,921,934
Cash and Cash Equivalents, Beginning of Year	<u>3,322,927</u>	<u>1,400,993</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,584,852</u></u>	<u><u>\$ 3,322,927</u></u>
Supplemental Cash Flow Information		
Property and equipment included in accounts payable	<u><u>\$ -</u></u>	<u><u>\$ 39,531</u></u>
Interest paid	<u><u>\$ 62,683</u></u>	<u><u>\$ 65,419</u></u>

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

Nature of Operations

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health (the Company) is a not-for-profit agency providing services including prevention services, primary/dental/behavioral health care, home health, hospice, assisted living and respite care to clients in Northwest Colorado, primarily in Routt, Moffat and Jackson Counties. The Company's primary mission is to improve the quality of life for all Northwest Colorado residents by providing comprehensive health resources and creating an environment that supports community wellness. The Company is committed to, and actively involved in, providing comprehensive health and wellness services for people of all ages, income levels and insurance statuses. Most services are offered on a sliding scale; no individual is denied services or care based on his/her ability to pay. In addition, the Company controls West Routt Rural Health Council, Inc. d/b/a/ The Haven (collectively, the Organization). The consolidated financial statements include the accounts of the Company and its affiliate.

The Company obtained control of West Routt Rural Health Council, Inc. (the Council) on November 22, 2005. The Council is a not-for-profit corporation with the sole purpose of assisting and enriching health care, health education and senior boarding care to improve quality of life in the community. The Council operates a 20-bed assisted living facility known as The Haven located in Hayden, Colorado. The Haven provides Assisted Living for seniors 55 years or older who do not require skilled nursing care but no longer can, or want, to live alone. A room at The Haven includes all utilities, housekeeping, companionship, social activities, exercise programs, meals, help with medications if needed, laundry if needed, medic alert system and assistance with daily living tasks. As of December 31, 2021 the Council was dissolved as a stand-alone entity and merged with the Company.

Principles of Consolidation and Basis of Accounting

The accompanying consolidated financial statements include the accounts of the Company and the Council. All material intercompany transactions and balances have been eliminated in the consolidated financial statements.

Prevention Services

The Prevention Services program encompasses a wide variety of sub-programs that prevent disease, protect against avoidable injuries and promote healthy habits – all aimed at keeping the general population healthy, employed and self-sustaining. Programs include the following: Chronic Disease Screening and Prevention Programs (cardiovascular disease, diabetes, tobacco), Seniors Wellness Clinics, School Health; Nurse-Family Partnership, SafeCare Colorado, Women, Infants and Children (WIC), Tobacco Education and Prevention, Vital Statistics and Youth Resiliency.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Community Health Center

The Company operates four Federally Qualified Health Centers (FQHC), one in Steamboat Springs, two in Craig and one in Oak Creek. The goal of the Community Health Center program is to provide all residents of northwest Colorado the opportunity to establish a medical home regardless of income. Community Health Centers ensure that everyone has access to preventative care and can see a health care provider when they are sick. These model clinics provide a full range of primary care services, such as treatment and management of acute and chronic illness, pediatric and adolescent care, physical exams, women's health, family planning, minor surgery, immunizations, assistance with prescriptions and behavioral health services, for people of all ages, income levels and insurance statuses – all on a sliding fee scale. The model also includes fully integrated primary and oral health care.

Home Health

Home Health provides skilled nursing and other personalized health care, in the comfort and security of the home for treatment of illness or injury. Home Health staff members provide nursing care, physical and occupational therapy services, social work, case management and referrals to other programs for homebound patients. Home Health also includes a range of in-home services aimed at enabling elderly patients to remain independent and in their homes as long as possible. The In-Home Services program provides skilled nursing services, personal care services and homemaker services (grocery shopping, laundry, light housekeeping, meal preparation, errand assistance, etc.) on an hourly basis to private pay individuals and low-income seniors.

Hospice

The Hospice program relieves suffering and improves quality of life for community members and their families facing life-threatening or terminal illness. The interdisciplinary hospice team is focused on the emotional needs, spiritual well-being and physical health of patients. Support and training for family caregivers is provided as well. Compassionate, high quality care enables patients to approach the end of life with dignity and comfort in the home, if desired. Hospice also offers bereavement services for family members of all ages.

Assisted Living

The Haven, a 20-bed assisted living facility, offers a caring, homelike atmosphere and exceptional amenities and programs for seniors 55 and older. The Haven also offers respite care for adults who need temporary assisted living care.

Supporting Services

Supporting services are those services necessary to ensure the financial, economic and programmatic viability of the Organization. They include management and general facility operations and resource development efforts.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021, cash equivalents consisted primarily of short-term certificates of deposit. At December 31, 2020, the Organization did not have cash equivalents.

At December 31, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$347,200.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

Contract Assets and Liabilities

Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. At December 31, 2021 and 2020, the Organization did not have contract assets.

Amounts received related to health care services that have not yet been provided to patients are contract liabilities. Contract liabilities consist of payments made by patients and third-party payers for services not yet performed. Contract liabilities are included in patient accounts receivable for approximately \$16,000 and \$18,000 at December 31, 2021 and 2020, respectively.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

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

Buildings and building improvements	10–39 years
Furniture, equipment and vehicles	3–15 years

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The Organization records these costs as direct deductions from the related debt. Such costs are being amortized over the term of the respective debt using the effective interest method and are netted with long-term debt.

Assets Held on Behalf of Others

Assets held on behalf of others includes funds received which have not been used for their specific purpose. These funds are recorded in the consolidated balance sheets cash and cash equivalents.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a special projects fund.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Patient Service Revenue

Patient service revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2021 and 2020, approximately \$77,000 and \$57,000, respectively, was received in in-kind contributions.

Excess (Deficiency) of Revenues Over Expenses

The consolidated statements of operations include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers to and from affiliates for other than goods and services and contributions of long-lived assets, including assets acquired using contributions, which by donor restriction were to be used for the purpose of acquiring such assets, if applicable.

Self-insurance

The Organization has elected to self-insure certain costs related to employee health and accident benefit programs. Costs resulting from noninsured losses are charged to income when incurred. The Organization has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure. Aggregate loss limits are assessed annually based enrollment.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Liability Claims

The Organization purchases workers' compensation insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Organization also purchases insurance that limits its exposure for employee health insurance claims that exceed the individual limit per covered person, per year.

Note 2: Beneficial Interest in Assets of Yampa Valley Community Foundation

The Organization has transferred assets to Yampa Valley Community Foundation (the Foundation) and retained a beneficial interest in those assets. In addition, the Organization is the beneficiary of donations made to the Foundation on the Organization's behalf. The Foundation makes all of the investment decisions for the funds. The beneficial interest consists of four funds as follows:

	2021	2020
Hospice Services of Northwest Colorado Donor Advised Fund	\$ 29,911	\$ 23,779
Northwest Colorado Health Fund Donor Advised Fund	121,020	100,785
The Haven Fund Donor Advised Fund	61,954	54,771
Northwest Colorado Health Endowment Fund		
Board Designated Endowment Funds	125,759	-
Donor Restricted Endowment Funds	<u>25,000</u>	<u>-</u>
Total Northwest Colorado Health Endowment Fund	<u>150,759</u>	<u>-</u>
Retained beneficial interest, end of year	<u><u>\$ 363,644</u></u>	<u><u>\$ 179,335</u></u>

The Foundation may distribute earnings to the Organization of the funds based on the fund agreement. Any undistributed earnings remain in the funds and without donor restrictions as they are for the purpose of funding ongoing operations of the Organization. Transfers of assets and earnings between the Organization and the Foundation are recognized as increases or decreases in the beneficial interest.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Note 3: Patient Service Revenue

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

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Organization receiving services in its outpatient centers or in their homes (home care). The Organization measures the performance obligation from admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Organization does not believe it is required to provide additional goods related to the patient.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's sliding fee discount policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

Third-party Payors

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare. Covered Federally Qualified Health Center (FQHC) services rendered to Medicare program beneficiaries are paid in accordance with provisions of Medicare's Prospective Payment System (PPS) for FQHCs. Medicare payments, including patient coinsurance, are paid on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules.

Services rendered to Medicare program beneficiaries for home health are reimbursed under a prospective methodology, and no additional settlement will be made on the difference between the interim prospective amounts paid and actual cost. Hospice services provided by the Organization are reimbursed prospectively subject to certain limitations, and no additional settlement will be made on the difference between the interim per diem rates and actual costs.

The Organization's Medicare hospice revenue is subject to an annual per-beneficiary limit (Medicare cap). The Medicare cap limits total Medicare payments to each of the Organization's hospice licenses to a specified dollar amount multiplied by the prorated number of Medicare beneficiaries receiving services from that provider during the cap year. Prorated beneficiaries are calculated by determining the ratio of the hospice services provided by the Organization to each beneficiary as a proportion of the total past, current and future hospice services that beneficiary receives from any hospice provider. The cap year ends on September 30 each year. The Organization monitors its license carefully, and at December 31, 2021 and 2020, there was no estimated cap liability.

Medicaid. Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology with final settlement determined after submission of an annual cost report. The Organization is reimbursed a set encounter rate for all services provided under the plan.

Home health and hospice services rendered to Medicaid program beneficiaries are reimbursed prospectively at rates established by the state Medicaid program, with no settlement made on the difference between the interim prospective amounts paid and actual costs.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the

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Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

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

Patient and Uninsured Payors

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. As required by Section 330 of the Public Health Service Act (42 U.S.C. §254b), the Organization also has established a sliding fee discount program and offers low-income patients a sliding fee discount from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2021 and 2020, no significant revenue was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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Refund Liabilities

From time to time the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. These amounts are excluded from revenues and are recorded in patient accounts receivable until they are refunded. As of December 31, 2021 and 2020, the Organization recorded refunds to third-party payors and patients of approximately \$43,000 and \$41,000, respectively, in patient accounts receivable.

Revenue Composition

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

- Payors (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Lines of business that provided the service (for example: community health center, home health, hospice, assisted living, etc.)

For the years ended December 31, 2021 and 2020, the Organization recognized all patient service revenue from goods and services as a transfer to the customer over time.

Note 4: Concentration of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2021 and 2020, is:

	2021	2020
Medicare	45%	49%
Medicaid	25%	21%
Other third-party payers	13%	16%
Private pay	17%	14%
	<u>100%</u>	<u>100%</u>

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Note 5: Conditional Grants and Contributions

The Organization has received the following conditional promises to give at December 31, 2021 and 2020 that are not recognized in the consolidated financial statements:

	<u>2021</u>	<u>2020</u>
Conditional grant to give upon incurring allowable expenditures under the agreement	<u>\$ 4,311,848</u>	<u>\$ 2,182,440</u>

Note 6: Long-term Debt

	<u>2021</u>	<u>2020</u>
Note payable (A)	\$ 768,415	\$ 816,121
Note payable (B)	345,409	644,737
Note payable (C)	<u>630,241</u>	<u>353,658</u>
	1,744,065	1,814,516
Less unamortized debt issuance costs	(8,862)	(12,407)
Less current maturities	<u>(73,328)</u>	<u>(70,758)</u>
	<u>\$ 1,661,875</u>	<u>\$ 1,731,351</u>

- (A) In 2014, the Organization obtained a note payable in the original amount of \$1,082,474 with a due date of June 1, 2034; monthly payments of \$6,403 each, including interest at a fixed rate of 3.65%; secured by the Organization's property. The note payable agreement requires the Organization to comply with certain covenants. Unamortized debt issuance costs were \$8,862 and \$12,407 at December 31, 2021 and 2020, respectively.
- (B) In 2018, the Organization obtained a note payable in the original amount of \$682,000 with a due date of March 27, 2048; monthly payments of \$3,063 each, including interest at a fixed rate of 3.50%; secured by the Organization's property.
- (C) In 2018, the Organization obtained a note payable in the original amount of \$375,000 with a due date of March 15, 2048; monthly payments of \$1,632 each, including interest at a fixed rate of 3.25%; secured by the Organization's property.

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Aggregate annual maturities of long-term debt at December 31, 2021:

2022	\$ 73,328
2023	75,991
2024	78,751
2025	81,612
2026	84,576
Thereafter	<u>1,349,807</u>
	<u><u>\$ 1,744,065</u></u>

Note 7: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose		
Prevention Services	\$ 125,828	\$ 113,994
Community Health Center	254,493	519,342
Administration and other	361,755	-
Home Health and Hospice	35,002	47,502
Not subject to spending policy or appropriation		
Beneficial interest in assets held by Yampa Valley Community Foundation	<u>25,000</u>	<u>-</u>
	<u><u>\$ 802,078</u></u>	<u><u>\$ 680,838</u></u>

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2021	2020
Purpose restrictions accomplished		
Provider Relief Funds	\$ 288,073	\$ 736,051
Paycheck Protection Program	-	1,944,600
Prevention Services	208,964	406,750
Community Health Center	655,554	448,749
Administration and other	62,095	147,634
Home Health and Hospice	87,500	131,909
	<u>87,500</u>	<u>131,909</u>
Total restrictions released	<u>\$ 1,302,186</u>	<u>\$ 3,815,693</u>

Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31 are restricted for the following purposes:

	2021	2020
Board-designated special projects fund	<u>\$ 150,931</u>	<u>\$ 124,544</u>
Board-designated endowment fund	<u>\$ 187,713</u>	<u>\$ 54,771</u>

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Note 8: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	2021	2020
Financial Assets at Year-end		
Cash and cash equivalents	\$ 3,584,852	\$ 3,322,927
Patient accounts receivable	614,165	713,577
Estimated amounts due from third-party payers	-	24,677
Due from agencies	872,581	660,478
Interest in assets held by Yampa Valley Community Foundation	363,644	179,335
	<u>5,435,242</u>	<u>4,900,994</u>
Total financial assets		
	<u>5,435,242</u>	<u>4,900,994</u>
Less Amounts Not Available to be Used Within One Year		
Board-designated with liquidity horizons greater than one year	150,931	124,544
Funds held by Yampa Valley Community Foundation	363,644	179,335
	<u>514,575</u>	<u>303,879</u>
Financial assets not available to be used within one year		
	<u>514,575</u>	<u>303,879</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,920,667</u>	<u>\$ 4,597,115</u>

The Organization has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. Certain board-designated assets are designated for future special projects. These assets limited to use, which are more fully described in Notes 1 and 7, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Organization's liquidity management, there is a Reserves Policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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Note 9: Functional Expenses

The Organization provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services, general and administrative and fundraising functional expense classifications based on employee time and effort, direct department expenses, and other methods. The following schedules present the natural classification of expenses by function as follows:

	2021					2020		
	Health Care Services					Support Services		
	Prevention Service	Home Services	Community Health Center	The Haven	Total	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,070,001	\$ 5,011,343	\$ 1,629,878	\$ 544,010	\$ 8,255,232	\$ 1,747,935	\$ 15,315	\$ 10,018,482
Contract and professional services	122,293	290,379	192,640	-	605,312	218,684	2,946	826,942
Supplies	55,554	524,332	47,259	70,442	697,587	90,420	17,512	805,519
Other operating expenses	124,971	273,536	168,458	2,144	569,109	997,251	22,013	1,588,373
Depreciation and amortization	-	-	-	-	-	309,828	-	309,828
Interest expense	-	-	-	-	-	62,683	-	62,683
In-kind expenses	61,716	-	-	-	61,716	14,918	-	76,634
Total expenses	<u>\$ 1,434,535</u>	<u>\$ 6,099,590</u>	<u>\$ 2,038,235</u>	<u>\$ 616,596</u>	<u>\$ 10,188,956</u>	<u>\$ 3,441,719</u>	<u>\$ 57,786</u>	<u>\$ 13,688,461</u>

	2020					2020		
	Health Care Services					Support Services		
	Prevention Service	Home Services	Community Health Center	The Haven	Total	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,200,811	\$ 1,922,609	\$ 5,431,863	\$ 475,208	\$ 9,030,491	\$ 1,541,848	\$ 24,428	\$ 10,596,767
Contract and professional services	60,687	202,001	260,345	-	523,033	145,702	7,348	676,083
Supplies	37,475	50,230	511,339	53,255	652,299	87,724	13,255	753,278
Other operating expenses	101,721	214,749	221,907	6,284	544,661	941,301	16,845	1,502,807
Depreciation and amortization	-	-	-	-	-	299,810	-	299,810
Interest expense	-	10	-	-	10	65,409	-	65,419
In-kind expenses	34,014	-	400	-	34,414	22,600	-	57,014
Total expenses	<u>\$ 1,434,708</u>	<u>\$ 2,389,599</u>	<u>\$ 6,425,854</u>	<u>\$ 534,747</u>	<u>\$ 10,784,908</u>	<u>\$ 3,104,394</u>	<u>\$ 61,876</u>	<u>\$ 13,951,178</u>

Note 10: Employee Retirement Plan

The Organization has a 403(b) retirement savings plan (the Plan) covering all employees. Employees are immediately eligible to make elective deferrals to the Plan. Prior to July 1, 2019, employees were immediately vested 100% in all contributions. Effective July 1, 2019, the Plan was amended to include a three-year vesting schedule for employer-matching and profit-sharing contributions. The Plan allows the employer to vary the amount of the employer contributions during the plan year, and the Organization's profit-sharing contributions are discretionary as determined by the Organization's Board of Directors. During 2021 and 2020, the Organization elected to make matching contributions of 100% of employees' salary deferral amounts on the first 3% of employees' compensation.

The Board of Directors also approved a profit-sharing contribution of approximately \$80,000 and \$50,000 paid to employees hired December 21, 2020 and 2019 and prior, respectively, that worked 1,000 hours in the calendar year 2021 and 2020 and were still employed at December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020, the Organization had total retirement plan contribution expenses of \$249,670 and \$215,738, respectively.

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Note 11: Disclosures About Fair Values of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, 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 assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021 and 2020:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value		
December 31, 2021				
Beneficial interest in assets held by Yampa Valley Community Foundation		\$ 363,644	\$ -	\$ 363,644
				\$ -

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		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
December 31, 2020				
Beneficial interest in assets held by Yampa Valley Community Foundation	<u>\$ 179,335</u>	<u>\$ -</u>	<u>\$ 179,335</u>	<u>\$ -</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021.

Beneficial Interest in Assets Held by Yampa Valley Community Foundation

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Note 12: Letter of Credit

The Organization maintains a letter of credit with a financial institution in the amount of approximately \$22,000 that matured on May 16, 2022 and was renewed in the amount of approximately \$54,000 with an expiration date of May 16, 2024. Interest accrues at a fixed rate of 3.85% on any outstanding balances.

The letter of credit is secured by certificates of deposit held with the financial institution. The letter of credit is maintained to meet unemployment coverage requirements with the state of Colorado. At December 31, 2021, there were no amounts outstanding.

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Note 13: Coronavirus COVID-19 Pandemic and CARES Act Funding

Provider Relief Fund

During the years ended December 31, 2021 and 2020, the Organization received approximately \$211,000 and \$736,000, respectively, of distributions from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Fund (collectively, the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Organization 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.

Subsequent to year-end the Organization received approximately \$26,000 in additional Provider Relief Fund distributions.

The Organization accounts for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses through December 31, 2021 and 2020, the Organization recognized the full amount received from the Provider Relief Fund, and these payments are recorded as contribution revenue with donor restriction and releases from restrictions used in operations in the accompanying consolidated statements of operations and changes in net assets.

The Organization has recognized revenue from the Provider Relief Fund based on guidance issued by HHS as of December 31, 2021 and any clarifications issued by HHS subsequent to year-end. The Organization will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Organization's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Organization is unable to attest to or comply with current or future terms and conditions, its ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Organization's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loans

In April of 2020, the Organization received PPP loans in the amounts of \$1,828,700 and \$115,900 for Northwest Colorado Health and The Haven, respectively. The loans under PPP were established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and Organization has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

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During 2020, the Organization incurred qualifying costs in excess of the PPP loan amounts and believes that all other terms and criteria of the program have been met. The Organization therefore has recognized the loan as contribution revenue recorded within contributions with donor restriction and releases from restriction used for operations in the accompanying consolidated statements of operations for the year ended December 31, 2020.

The Organization received notification of SBA forgiveness of the loans on July 14, 2021. The Organization was not eligible for round 2 funding of PPP lending in 2021.

Note 14: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue as described in Notes 1 and 3.

Professional Liability Coverage and Claims

The Council pays fixed premiums for annual professional liability insurance coverage under an occurrence-based policy while the Company pays premiums under a claims-made policy. There were no claims outstanding at December 31, 2021 and the Organization is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits.

Self-insurance

The Organization has a partially self-insured plan for employee health insurance benefits which is managed by a third-party administrator. The Organization makes regular payments to the plan to pay estimated claims. The Organization has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$37,500 per covered person, per year. The liability on the plan at December 31, 2021 and 2020 was \$347,525 and \$311,370, respectively, and is included in accrued payroll and benefits on the balance sheets.

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General Litigation

The Organization is subject to claims and lawsuits that could arise in the ordinary course of its activities. Some of these allegations could be in areas not covered by the Organization's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated balance sheets, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 15: Subsequent Events

Subsequent events have been evaluated through September 26, 2022, which is the date the financial statements were available to be issued.