




# **Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health**

## **Independent Auditor's Report and Financial Statements**

December 31, 2023 and 2022



**Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health  
Contents  
December 31, 2023 and 2022**

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## **Independent Auditor's Report**

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

### ***Opinion***

We have audited the financial statements of Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health (the Organization), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the 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 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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.

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 Mazars, LLP**

**Denver, Colorado  
August 14, 2024**

**Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health  
Balance Sheets  
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,792,938	\$ 3,045,080
Patient accounts receivable	959,069	644,935
Due from agencies	851,323	518,111
Pledges receivable, current	4,000	42,433
Grant and other receivables	1,884	7,195
Prepaid expenses and other assets	190,499	284,743
	<u>6,799,713</u>	<u>4,542,497</u>
<b>Other Assets</b>		
Deposits	352,572	301,229
Pledges receivable	47,533	51,434
Beneficial interest in assets held by Yampa Valley Community Foundation	660,179	410,972
Right-of -use assets - operating leases	265,391	340,114
	<u>1,325,675</u>	<u>1,103,749</u>
<b>Property and Equipment, at Cost</b>		
Land	1,173,817	1,173,817
Buildings and building improvements	10,372,307	10,289,984
Furniture, equipment and vehicles	871,411	917,339
Construction in progress	299,509	-
	<u>12,717,044</u>	<u>12,381,140</u>
Less accumulated depreciation	4,799,763	4,616,054
	<u>7,917,281</u>	<u>7,765,086</u>
Total assets	<u>\$ 16,042,669</u>	<u>\$ 13,411,332</u>

Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health  
Balance Sheets  
December 31, 2023 and 2022

(Continued)

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 78,751	\$ 75,991
Accounts payable	232,324	258,951
Accrued payroll and benefits	986,930	1,072,328
Accrued expenses	500,000	615,062
Refundable advance - employee retention credit	3,051,371	201,825
Assets held on behalf of others	142,522	55,511
Current maturities of operating lease liabilities	<u>75,503</u>	<u>68,136</u>
Total current liabilities	<u>5,067,401</u>	<u>2,347,804</u>
<b>Long-Term Debt</b>	<u>1,515,173</u>	<u>1,590,000</u>
<b>Operating Lease Liabilities</b>	<u>205,477</u>	<u>280,980</u>
Total liabilities	<u>6,788,051</u>	<u>4,218,784</u>
<b>Net Assets</b>		
Without donor restrictions		
Board-designated	364,362	285,454
Undesignated	<u>8,054,714</u>	<u>8,208,880</u>
Total net assets without donor restrictions	8,419,076	8,494,334
With donor restrictions	<u>835,542</u>	<u>698,214</u>
Total net assets	<u>9,254,618</u>	<u>9,192,548</u>
Total liabilities and net assets	<u>\$ 16,042,669</u>	<u>\$ 13,411,332</u>

**Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health  
Statements of Operations  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues, Gains and Other Support</b>		
<b>Without Donor Restrictions</b>		
Patient service revenue	\$ 7,733,342	\$ 6,413,782
Agency contracts and grants	4,927,543	5,416,180
Contributions of cash and other financial assets	1,122,902	946,260
Other income	68,893	15,207
Contributed nonfinancial assets	157,456	110,642
Net assets released from restrictions used for operations	<u>1,606,797</u>	<u>836,586</u>
Total revenues, gains and other support without donor restrictions	<u>15,616,933</u>	<u>13,738,657</u>
<b>Expenses</b>		
Salaries and benefits	10,527,460	10,134,626
Contract and professional services	1,569,091	996,563
Supplies	783,744	871,818
Other operating expenses	2,364,533	2,283,714
Depreciation and amortization	401,376	362,400
Interest expense	57,510	60,372
Loss on disposal of property and equipment	95,620	-
In-kind expenses	<u>125,456</u>	<u>110,660</u>
Total expenses	<u>15,924,790</u>	<u>14,820,153</u>
<b>Operating Loss</b>	<u>(307,857)</u>	<u>(1,081,496)</u>
<b>Other Income (Loss)</b>		
Change in beneficial interest in assets held by Yampa Valley Community Foundation	78,945	(53,225)
Rental income, net of expenses	28,562	18,574
Investment income	<u>125,092</u>	<u>32,690</u>
Total other income (loss)	<u>232,599</u>	<u>(1,961)</u>
<b>Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<u>\$ (75,258)</u>	<u>\$ (1,083,457)</u>

**Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health  
Statements of Changes in Net Assets  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Net Assets Without Donor Restrictions</b>		
Excess (deficiency) of revenues over expenses and increase (decrease) in net assets without donor restrictions	<u>\$ (75,258)</u>	<u>\$ (1,083,457)</u>
<b>Net Assets With Donor Restrictions</b>		
Contributions received	1,744,125	732,722
Net assets released from restrictions	<u>(1,606,797)</u>	<u>(836,586)</u>
Increase (decrease) in net assets with donor restrictions	<u>137,328</u>	<u>(103,864)</u>
<b>Change in Net Assets</b>	62,070	(1,187,321)
<b>Net Assets, Beginning of Year</b>	<u>9,192,548</u>	<u>10,379,869</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 9,254,618</u></u>	<u><u>\$ 9,192,548</u></u>



**Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health  
Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Activities</b>		
Change in net assets	\$ 62,070	\$ (1,187,321)
Items not requiring cash		
Depreciation and amortization	401,376	362,400
Loss on disposal of property and equipment	95,620	-
Change in beneficial interest in assets held by Yampa Valley Community Foundation	(249,207)	(47,328)
Noncash operating lease expense	74,723	49,721
Changes in		
Patient accounts receivable	(314,134)	(30,770)
Due from agencies	(333,212)	354,470
Pledges receivable	42,334	(93,867)
Grant and other receivables	5,311	319,137
Prepaid expenses, other assets and deposits	42,901	(321,690)
Accounts payable and accrued expenses	(141,689)	590,577
Accrued payroll and benefits	(85,398)	(93,746)
Refundable advance - employee retention credit	2,849,546	201,829
Assets held on behalf of others	87,011	531
Operating lease liability	(68,136)	(40,719)
	<u>2,469,116</u>	<u>63,224</u>
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchase of property and equipment	(645,646)	(530,239)
	<u>(645,646)</u>	<u>(530,239)</u>
Net cash used in investing activities		
<b>Financing Activities</b>		
Principal payments on long-term debt	(75,612)	(72,757)
	<u>(75,612)</u>	<u>(72,757)</u>
Net cash used in financing activities		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	1,747,858	(539,772)
<b>Cash and Cash Equivalents, Beginning of Year</b>	3,045,080	3,584,852
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,792,938</u>	<u>\$ 3,045,080</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid	<u>\$ 59,955</u>	<u>\$ 62,683</u>

## **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 Organization) 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 Organization'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 Organization 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.

### ***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.

### ***Community Health Center***

The Organization 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.

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***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.

***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, 2023 and 2022, cash equivalents consisted primarily of short-term certificates of deposit.

At December 31, 2023, the Organization's cash accounts exceeded federally insured limits by approximately \$4,417,000.

***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 payors 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, 2023 and 2022, 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 payors for services not yet performed. Contract liabilities are included in patient accounts receivable for approximately \$17,000 and \$35,000 at December 31, 2023 and 2022, 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  
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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, 2023 and 2022.

***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 straight-line method, which is not materially different from the effective interest method and are netted with long-term debt.

***Accrued Expenses***

The Organization has identified and estimated a repayment due to Medicaid of approximately \$500,000 related to services provided from 2019 to 2022. The estimated liability is included in accrued expenses on the accompanying balance sheets. Management believes the liability is adequate based on information currently known.

***Employee Retention Credit***

In response to the economic impact of the COVID-19 pandemic, Congress introduced the Employee Retention Credit (ERC). The ERC is a refundable payroll tax credit available to eligible employers who meet either the gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Organization filed for and received approximately \$3,050,000 in ERC through the Internal Revenue Service and accounts for the ERC as a government grant under ASC 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under ASC 958-605, the ERC may be recognized once the conditions attached to the grant have been substantially met. Laws and regulations concerning the ERC are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. Upon further evaluation of eligibility, the Organization determined conditions were not met and elected to return the funds received under the ERC Voluntary Disclosure Program where the Internal Revenue Service allowed employers to repay funds without penalty. Funds held for which conditions have not been met and not yet return as recorded as refundable advance in the balance sheet as of December 31, 2023.

***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 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.

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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 and board designated endowment.

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.

***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:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<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.

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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 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.

***Contributed Nonfinancial Assets***

In addition to receiving cash contributions, the Organization receives contributed nonfinancial assets from various donors. It is the policy of the Organization to record the estimated fair value of certain contributed nonfinancial assets as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the years ended December 31, 2023 and 2022, approximately \$157,000 and \$111,000, respectively, are made up of donated vaccines, services and equipment. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

For the years ended December 31, 2023 and 2022, donated vaccines totaled approximately \$97,000 and \$81,000, respectively. For the year ended December 31, 2023, a vehicle was donated totaling \$32,000. Vaccines and the vehicle are valued based on a comparable product purchase price.

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the years ended December 31, 2023 and 2022, donated services totaled approximately \$28,000 and \$30,000, respectively. These services are valued based on the market price to purchase the service.

***Excess (Deficiency) of Revenues Over Expenses***

The 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.

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***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.

***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.

***Reclassifications***

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the change in net assets.

**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:

	<u>2023</u>	<u>2022</u>
Hospice Services of Northwest Colorado Donor Advised Fund	\$ 28,105	\$ 24,469
Northwest Colorado Health Fund Donor Advised Fund	112,621	97,958
The Haven Fund Donor Advised Fund	58,187	50,418
Northwest Colorado Health Endowment Fund Board Designated Endowment Funds	165,450	112,573
Donor Restricted Endowment Funds	<u>295,816</u>	<u>125,554</u>
Total Northwest Colorado Health Endowment Fund	<u>461,266</u>	<u>238,127</u>
Retained beneficial interest, end of year	<u>\$ 660,179</u>	<u>\$ 410,972</u>

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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.

### **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 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.

#### ***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.



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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, 2023 and 2022, 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 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.

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***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, 2023 and 2022, 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.

***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, 2023 and 2022, the Organization recorded refunds to third-party payors and patients of approximately \$28,000 and \$12,000, 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, 2023 and 2022, the Organization recognized all patient service revenue from goods and services as a transfer to the customer over time.

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**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 payor agreements. The mix of receivables from patients and third-party payors at 2023 and 2022, is:

	<u>2023</u>	<u>2022</u>
Medicare	36%	45%
Medicaid	25%	26%
Other third-party payors	8%	6%
Private pay	<u>31%</u>	<u>23%</u>
	<u>100%</u>	<u>100%</u>

**Note 5. Pledges Receivable**

Pledges receivable at December 31, 2023 and 2022 consisted of approximately \$4,000 and \$40,000, respectively, expected to be collected in less than one year and \$47,500 and \$52,000, respectively, in one to three years. An allowance for uncollectible pledges is provided based on specific circumstances. At December 31, 2023 and 2022, pledges receivable were evaluated to be collectible.

**Note 6. Conditional Grants and Contributions**

The Organization has received the following conditional promises to give at December 31, 2023 and 2022 that are not recognized in the financial statements:

	<u>2023</u>	<u>2022</u>
Conditional grant to give upon incurring allowable expenditures under the agreement	<u>\$ 2,905,495</u>	<u>\$ 3,567,466</u>

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**Note 7. Long-Term Debt**

	<u>2023</u>	<u>2022</u>
Note payable (A)	\$ 667,926	\$ 719,190
Note payable (B)	328,087	336,889
Note payable (C)	<u>599,683</u>	<u>615,229</u>
	1,595,696	1,671,308
Less unamortized debt issuance costs	(1,772)	(5,317)
Less current maturities	<u>(78,751)</u>	<u>(75,991)</u>
	<u>\$ 1,515,173</u>	<u>\$ 1,590,000</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. Unamortized debt issuance costs were \$1,772 and \$5,317 at December 31, 2023 and 2022, 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.

Aggregate annual maturities of long-term debt at December 31, 2023:

2024	\$ 78,751
2025	81,612
2026	84,576
2027	87,649
2028	90,833
Thereafter	<u>1,172,275</u>
	<u>\$ 1,595,696</u>

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**Note 8. Net Assets**

***Net Assets with Donor Restrictions***

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Prevention Services	\$ 147,062	\$ 118,490
Community Health Center	49,636	297,690
Administration and other	144,311	146,659
Home Health and Hospice	175,306	9,857
Haven	23,411	-
Not subject to spending policy or appropriation		
Beneficial interest in assets held by Yampa Valley Community Foundation	<u>295,816</u>	<u>125,518</u>
	<u>\$ 835,542</u>	<u>\$ 698,214</u>

***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.

	<u>2023</u>	<u>2022</u>
Purpose restrictions accomplished		
Provider Relief Funds	\$ -	\$ 26,019
Prevention Services	223,775	198,138
Community Health Center	463,033	253,666
Administration and other	218,314	322,120
Home Health and Hospice	642,301	36,643
Haven	59,374	-
	<u>\$ 1,606,797</u>	<u>\$ 836,586</u>

***Net Assets Without Donor Restrictions***

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

	<u>2023</u>	<u>2022</u>
Board-designated special projects fund	<u>\$ 140,726</u>	<u>\$ 122,427</u>
Board-designated endowment fund	<u>\$ 223,636</u>	<u>\$ 163,027</u>

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**Note 9. 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, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
<b>Financial Assets at Year-End</b>		
Cash and cash equivalents	\$ 4,792,938	\$ 3,045,080
Patient accounts receivable	959,069	644,935
Due from agencies	851,323	518,111
Pledges receivable	51,533	93,867
Grant and other receivables	1,884	7,195
Interest in assets held by Yampa Valley Community Foundation	<u>660,179</u>	<u>410,972</u>
Total financial assets	<u>7,316,926</u>	<u>4,720,160</u>
<b>Less Amounts Not Available to be Used Within One Year</b>		
Board-designated with liquidity horizons greater than one year	364,362	285,454
Donor designated funds held by Yampa Valley Community Foundation	295,816	125,518
Pledges receivable, long-term	<u>47,533</u>	<u>51,434</u>
Financial assets not available to be used within one year	<u>707,711</u>	<u>462,406</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,609,215</u>	<u>\$ 4,257,754</u>

The Organization has certain 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 and endowments. 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 10. 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:

	2023							
	Health Care Services					Support Services		
	Prevention Service	Home Services	Community Health Center	The Haven	Total	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,046,391	\$ 1,519,503	\$ 5,164,072	\$ 982,426	\$ 8,712,392	\$ 1,802,348	\$ 12,720	\$ 10,527,460
Contract and professional services	40,033	253,856	1,059,960	52,082	1,405,931	163,160	-	1,569,091
Supplies	48,425	75,043	488,463	104,219	716,150	60,291	7,303	783,744
Other operating expenses	132,651	159,254	679,660	59,329	1,030,894	1,322,762	10,877	2,364,533
Depreciation and amortization	-	-	-	-	-	401,376	-	401,376
Interest expense	-	-	-	-	-	57,510	-	57,510
Loss on disposal of property and equipment	-	-	-	-	-	95,620	-	95,620
In-kind expenses	102,335	-	-	9,001	111,336	200	13,920	125,456
Total expenses	<u>\$ 1,369,835</u>	<u>\$ 2,007,656</u>	<u>\$ 7,392,155</u>	<u>\$ 1,207,057</u>	<u>\$ 11,976,703</u>	<u>\$ 3,903,267</u>	<u>\$ 44,820</u>	<u>\$ 15,924,790</u>

	2022							
	Health Care Services					Support Services		
	Prevention Service	Home Services	Community Health Center	The Haven	Total	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 954,513	\$ 1,514,329	\$ 4,942,660	\$ 834,210	\$ 8,245,712	\$ 1,878,154	\$ 10,760	\$ 10,134,626
Contract and professional services	21,675	168,767	627,656	5,886	823,984	172,579	-	996,563
Supplies	48,254	59,609	602,983	115,945	826,791	37,551	7,476	871,818
Other operating expenses	134,460	167,191	382,300	66,607	750,558	1,522,874	10,282	2,283,714
Depreciation and amortization	-	-	-	-	-	362,400	-	362,400
Interest expense	-	-	-	-	-	60,372	-	60,372
In-kind expenses	85,568	-	-	9,885	95,453	-	15,207	110,660
Total expenses	<u>\$ 1,244,470</u>	<u>\$ 1,909,896</u>	<u>\$ 6,555,599</u>	<u>\$ 1,032,533</u>	<u>\$ 10,742,498</u>	<u>\$ 4,033,930</u>	<u>\$ 43,725</u>	<u>\$ 14,820,153</u>

**Note 11. Leases**

**Accounting Policies – Lessee**

The Organization determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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**Nature of Leases – Lessee**

The Organization has entered into the following lease arrangements:

**Operating Leases**

The Organization leases an office space that expires in April 2027. This lease contains renewal options for two additional five year terms. Lease payments have an escalating fee schedule, which range from a 5.5% to 7.1% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. The discount rate used to record the present value of future minimum payments was 2.92%.

The Organization has no related-party leases. As of December 31, 2023, the Organization did not have any leases that had not yet commenced.

Future minimum operating lease payments and reconciliation to the balance sheet at December 31, 2023, are as follows:

2024	\$ 82,720
2025	88,000
2026	93,280
2027	<u>31,680</u>
	295,680
Total future undiscounted lease payments	295,680
Less imputed interest	<u>14,700</u>
	<u>\$ 280,980</u>

**Accounting Policies – Lessor**

The Organization determines if an arrangement is a lease or contains a lease at inception and determines lease classification as sales-type lease, direct finance or operating lease at the lease commencement date. The future cash flows arising from the lease is determined at lease inception. Lease payments are recognized on a straight-line basis over the lease term. The lease term may include options to extend or terminate the lease that the lessee is reasonably certain to exercise. Lease income is recognized on a straight-line basis over the lease term.

The Organization has elected not to include leases with an initial term of 12 months or less in consideration of future cash flows.

**Nature of Leases – Lessor**

The Organization entered into a new lease agreement November 2023 to leases space through October 2028. This lease contains renewal option for two additional five year terms. Lease payments have an escalating fee schedule of approximately 1% the first two years. Termination of the leases is generally prohibited unless there is a violation under the lease agreement. Rental income during 2023 was approximately \$5,700. Future rental income ranges from \$34,925 to \$41,910 annually.



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**Note 12. 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. The Plan contains 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 2023 and 2022, the Organization elected to make matching contributions of 100% of employees' salary deferral amounts on the first 3% of employees' compensation. For the years ended December 31, 2023 and 2022, the Organization had total retirement plan contribution expenses of \$163,434 and \$162,386, respectively.

**Note 13. 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 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, 2023 and 2022:

	<b>Fair Value Measurements Using</b>		
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Fair Value</b>			
<b>December 31, 2023</b>			
Beneficial interest in assets held by Yampa Valley Community Foundation	\$ 660,179	\$ -	\$ -

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	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2022</b>				
Beneficial interest in assets held by Yampa Valley Community Foundation	\$ 410,972	\$ -	\$ 410,972	\$ -

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 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, 2023.

***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 14. Letter of Credit**

The Organization maintains a letter of credit with a financial institution in the amount of approximately \$54,000 with an expiration date of May 16, 2026. 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, 2023, there were no amounts outstanding.

**Note 15. Coronavirus COVID-19 Pandemic and CARES Act Funding**

***Provider Relief Fund***

During the years ended December 31, 2023 and 2022, the Organization received \$0 and approximately \$26,000, respectively, of distributions from the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Fund (collectively, the Provider Relief Fund).

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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, 2022, the Organization recognized the full amount received from the Provider Relief Fund in 2022. The payment was recorded as contribution revenue with donor restriction and releases from restrictions used in operations in the accompanying statements of operations and changes in net assets.

## **Note 16. 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 Organization pays fixed premiums for annual professional liability insurance coverage under an occurrence-based policy while the Organization pays premiums under a claims-made policy. There were no claims outstanding at December 31, 2023 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, 2023 and 2022 was \$239,486 and \$273,548, respectively, and is included in accrued payroll and benefits on the balance sheets.

The liability for 2022 includes the gross expected amount of insurance recoveries receivable of approximately \$115,000 recorded within other assets on the accompanying balance sheets. Insurance recoveries receivable were not significant at December 31, 2023. Liability reserve estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective balance sheet dates.

The reserve for incurred but not reported expenses are estimated using historical data. Those estimates are subject to the effects of trends in claims. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. Although variability is inherent in self-insured liability reserve estimates, management believes the reserves for losses and loss expenses are adequate based on information currently known. It is reasonably possible that this estimate could change materially in the near term.

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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 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 17. Subsequent Events**

Subsequent events have been evaluated through August 14, 2024, which is the date the financial statements were available to be issued.