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Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

☐

1

Briefly describe the organization's mission

TO PROVIDE OUR COMMUNITY WITH THE BEST HEALTH CARE CHOICES CLOSE TO HOME IN AN ENVIRONMENT OF CONTINUAL IMPROVEMENT

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a

(Code ) (Expenses \$ 38,288,633 including grants of \$ ) (Revenue \$ 53,878,885 )

HOSPITAL HOLY CROSS HOSPITAL IS A REGIONAL ACUTE CARE FACILITY SERVING A DIVERSE CULTURAL COMMUNITY WITH A POVERTY RATE OF 21%. THE PAYOR MIX FOR THE HOSPITAL INCLUDES 41% MEDICARE PATIENTS, 18% MEDICAID PATIENTS AND 10% UNINSURED PATIENTS. THE HOSPITAL PROVIDES A VARIETY OF SERVICES DESIGNED FOR THE EXPRESS GOOD OF THE COMMUNITY EITHER AT REDUCED COST OR FOR FREE, SUCH AS DIABETES SELF MANAGEMENT SERVICES.

4b

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ -2,493,063 )

CHARITY CARE BENEFITING THE COMMUNITY WE SERVE IS AN ESSENTIAL EXPRESSION OF HOLY CROSS HOSPITAL'S MISSION. THE HOSPITAL ASSUMES THAT RESPONSIBILITY BY HEALTHCARE SERVICES TO THE COMMUNITY WHO ARE UNINSURED AND LACK THE ABILITY TO PAY. DURING FY 2013 TAOS HEALTH SYSTEMS SERVED APPROXIMATELY 2067 PATIENTS WHO QUALIFIED FOR THE HOSPITAL'S CHARITY CARE.

4c

(Code ) (Expenses \$ 5,356,108 including grants of \$ 0 ) (Revenue \$ 2,918,399 )

THE HOSPITAL OWNS AND ACTIVELY RECRUITS PHYSICIANS TO STAFF A WOMEN'S HEALTH CLINIC, A RURAL HEALTH CLINIC, A PHYSICAL MEDICINE AND REHABILITATION CLINIC, AND A SURGICAL SPECIALTIES CLINIC TO ENSURE THAT THE COMMUNITY'S NEED FOR THOSE SERVICES IS MET.

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ 634,011 )

OTHER MISCELLANEOUS PATIENT SERVICES TO INCLUDE COMMUNITY HEALTH FAIR, COMMUNITY WELLNESS PROGRAMS, COMMUNITY DEVELOPMENT PROGRAMS, DONATIONS TO COMMUNITY PROGRAMS AND COMMUNITY SCHOLARSHIP COSTS.

4d

Other program services (Describe in Schedule O )

(Expenses \$ including grants of \$ ) (Revenue \$ 634,011 )

4e


















Total program service expenses

43,644,741

Form 990 (2012)

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II	4	No
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e	No
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21		No
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .	29	Yes	
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30	Yes	
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

			Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	1a	254	
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	1b	0	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	2a	533	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	2b	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	3b	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>			
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a		No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?	7c		No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d		
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h		
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
9	<b>Sponsoring organizations maintaining donor advised funds.</b>			
a	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	<b>Section 501(c)(7) organizations.</b> Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b		
11	<b>Section 501(c)(12) organizations.</b> Enter			
a	Gross income from members or shareholders.	11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b		
12a	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b		
13	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>			
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	13a		
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b		
c	Enter the amount of reserves on hand.	13c		
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a		No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b		

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

			Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	1a12		
	If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	1b12		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	Yes	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	Yes	
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5		No
6	Did the organization have members or stockholders?	6		No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a		No
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b		No
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	Yes	
b	Each committee with authority to act on behalf of the governing body?	8b	Yes	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9		No

Section B. Policies

(This Section B requests information about policies not required by the Internal Revenue Code.)

			Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a		No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990			
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes	
13	Did the organization have a written whistleblower policy?	13	Yes	
14	Did the organization have a written document retention and destruction policy?	14	Yes	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?			
a	The organization's CEO, Executive Director, or top management official	15a	Yes	
b	Other officers or key employees of the organization	15b	Yes	
	If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes	
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed	NM
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)	
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year	
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization	PETER HOFSTETTER 1397 WEIMER RD TAOS, NM (575) 758-8883

Part VII

Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

- 1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
  - List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
  - List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
  - List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
  - List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) RON BURNHAM CHAIRMAN	1.00	X		X				0	0	0
(2) PAMELA ROMERO TREASURER	1.00	X		X				0	0	0
(3) ANNA MARTINEZ SECRETARY	1.00	X		X				0	0	0
(4) ANDY TORRES BOARD MEMBER	1.00	X						0	0	0
(5) CHARLIE GONZALES BOARD MEMBER	1.00	X						0	0	0
(6) DAN GUTTMAN BOARD MEMBER	1.00	X						0	0	0
(7) GUS CORDOVA BOARD MEMBER	1.00	X						0	0	0
(8) JAY CHRIS STAGG BOARD MEMBER	1.00	X						0	0	0
(9) JEANNIE MASTERS BOARD MEMBER	1.00	X						0	0	0
(10) LINDA AUBRECHT BOARD MEMBER	1.00	X						0	0	0
(11) MICHAEL HOWARD BOARD MEMBER	1.00	X						0	0	0
(12) SYLVIA VILLAREAL BOARD MEMBER	1.00	X						0	0	0
(13) TIM MARTINEZ BOARD MEMBER	1.00	X						0	0	0
(14) PETER HOFSTETTER CEO	40.00			X				267,260	0	68,352
(15) MARY ANNA ABEYTA CHIEF CLINICAL OFFICER	40.00			X				139,163	0	2,500
(16) RIC EISENRING CFO	40.00			X				163,305	0	41,765
(17) RICHARD MASSEN SURGEON	40.00					X		319,110	0	3,909



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	<b>▼</b>			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	<b>▼</b>			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	<b>▼</b>	1,949,887	0	122,920

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 23

		Yes	No
<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>3</b>	No
<b>4</b>	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>4</b>	Yes
<b>5</b>	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .	<b>5</b>	No

## Section B. Independent Contractors

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
CLINICAL COLLEAGUES 1121 N BETHLEHEM PIKE STE 60-234 SPRINGHOUSE PA 19477	ANESTHESIOLOGISTS	986,989
QUORUM HEALTH RESOURCES LLC 105 CONTINENTAL PLACE BRENTWOOD TN 37027	MANAGEMENT CONTRACTOR	608,037
NORTHERN NEW MEXICO ANESTHESIA PO BOX 1235 RANCHOS DE TAOS NM 87557	ANESTHESIOLOGISTS	595,717
RURAL RADIOLOGY ASSOCIATES PLLC 12687 W CEDAR DR STE 200 DENVER CO 80228	RADIOLOGY	580,041
SHARED IMAGING INC BOX 88544 MILWAUKEE WI 53288	RADIOLOGY	478,109
<b>2</b> Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶17		

Part VIII

Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII

			(A)	(B)	(C)	(D)	
			Total revenue	Related or exempt function revenue	Unrelated business revenue	Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . . . .	1a				
	b	Membership dues . . . . .	1b				
	c	Fundraising events . . . . .	1c				
	d	Related organizations . . . . .	1d				
	e	Government grants (contributions)	1e	584,900			
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	284,081			
	g	Noncash contributions included in lines 1a-1f \$		258,081			
	h	Total. Add lines 1a-1f . . . . .		868,981			
Program Service Revenue	2a	NET PATIENT SERVICE REVENUE (NET	Business Code				
			624100	52,692,715	52,692,715		
	b						
	c						
	d						
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		52,692,715			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		119,585		119,585	
	4	Income from investment of tax-exempt bond proceeds . . . . .					
	5	Royalties . . . . .					
	6a	Gross rents	(i) Real	(ii) Personal			
		b	Less rental expenses				
		c	Rental income or (loss)				
	d	Net rental income or (loss) . . . . .					
	7a	Gross amount from sales of assets other than inventory	(i) Securities	(ii) Other			
			3,021,325				
		b	Less cost or other basis and sales expenses		1,022		
		c	Gain or (loss)		-1,022		
	d	Net gain or (loss) . . . . .		616,164		616,164	
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18 . . . . .	a				
	b	Less direct expenses . . . . .	b				
	c	Net income or (loss) from fundraising events . . . . .					
	9a	Gross income from gaming activities See Part IV, line 19 . . . . .	a				
	b	Less direct expenses . . . . .	b				
	c	Net income or (loss) from gaming activities . . . . .					
	10a	Gross sales of inventory, less returns and allowances . . . . .	a				
b	Less cost of goods sold . . . . .	b					
c	Net income or (loss) from sales of inventory . . . . .						
	Miscellaneous Revenue	Business Code					
11a	FOOD SERVICE	722210	373,025		373,025		
b	MANAGEMENT SERVICES	541610	108,551	108,551			
c	INCOME FROM TAOS SPORTS MEDICINE	624100	101,045	101,045			
d	All other revenue . . . . .		2,144,472	2,144,472			
e	Total. Add lines 11a-11d . . . . .		2,727,093				
12	Total revenue. See Instructions . . . . .		57,024,538	54,938,232	108,551	1,108,774	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response to any question in this Part IX

☒

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.				
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.				
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.				
4	Benefits paid to or for members.				
5	Compensation of current officers, directors, trustees, and key employees.	728,848		728,848	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).				
7	Other salaries and wages.	24,168,060	21,298,750	2,869,310	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	266,689	266,689		
9	Other employee benefits.	2,635,097	2,635,097		
10	Payroll taxes.	1,849,873	1,849,873		
11	Fees for services (non-employees):				
a	Management.	1,093,225	134,559	958,666	
b	Legal.	213,214	8,692	204,522	
c	Accounting.	14,164		14,164	
d	Lobbying.				
e	Professional fundraising services. See Part IV, line 17.				
f	Investment management fees.	117,310		117,310	
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	9,044,328	8,503,080	541,248	
12	Advertising and promotion.	96,591	72,210	24,381	
13	Office expenses.	3,524,368	2,090,039	1,434,329	
14	Information technology.				
15	Royalties.				
16	Occupancy.	1,083,352	115,460	967,892	
17	Travel.	80,222	37,687	42,535	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.				
19	Conferences, conventions, and meetings.				
20	Interest.	71,660		71,660	
21	Payments to affiliates.				
22	Depreciation, depletion, and amortization.	2,742,519		2,742,519	
23	Insurance.	1,205,914	1,081,605	124,309	
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O).				
a	OTHER FEDERAL TAX	4,282		4,282	
b	BAD DEBT EXPENSES	5,521,552		5,521,552	
c	MEDICAL SUPPLIES	5,088,951	5,060,888	28,063	
d	REPAIRS & MAINTENANCE	1,376,720	202,414	1,174,306	
e	All other expenses	1,057,963	287,698	770,265	
25	Total functional expenses. Add lines 1 through 24e.	61,984,902	43,644,741	18,340,161	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response to any question in this Part X

☐

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		2,898,490	1	1,116,218
	2	Savings and temporary cash investments		3,019,603	2	321,307
	3	Pledges and grants receivable, net		0	3	109,196
	4	Accounts receivable, net		7,582,405	4	6,770,515
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees Complete Part II of Schedule L			5	
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions) Complete Part II of Schedule L			6	
	7	Notes and loans receivable, net		2,178,818	7	1,830,038
	8	Inventories for sale or use		1,660,989	8	1,602,440
	9	Prepaid expenses and deferred charges		1,151,383	9	1,218,857
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a43,260,393			
	b	Less accumulated depreciation	10b22,991,712	21,661,982	10c	20,268,681
	11	Investments—publicly traded securities			11	
	12	Investments—other securities See Part IV, line 11			12	
	13	Investments—program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets See Part IV, line 11		4,009,044	15	3,618,287
	16	Total assets. Add lines 1 through 15 (must equal line 34)		44,162,714	16	36,855,539
Liabilities	17	Accounts payable and accrued expenses		6,520,583	17	5,927,471
	18	Grants payable			18	
	19	Deferred revenue		104,291	19	0
	20	Tax-exempt bond liabilities			20	
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons Complete Part II of Schedule L			22	
	23	Secured mortgages and notes payable to unrelated third parties		2,235,804	23	1,204,180
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24) Complete Part X of Schedule D		436,747	25	0
	26	Total liabilities. Add lines 17 through 25		9,297,425	26	7,131,651
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		33,838,771	27	28,774,081
	28	Temporarily restricted net assets		1,026,518	28	949,807
	29	Permanently restricted net assets			29	
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		34,865,289	33	29,723,888
	34	Total liabilities and net assets/fund balances		44,162,714	34	36,855,539

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . . ☒

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	57,024,538
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	61,984,902
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	-4,960,364
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	34,865,289
5	Net unrealized gains (losses) on investments . . . . .	5	-38,827
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	-142,210
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	29,723,888

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . . ☐

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL	Employer identification number 85-0289839
---	--

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box )

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  

a

☐

Type I

b

☐

Type II

c

☐

Type III - Functionally integrated

d

☐

Type III - Non-functionally integrated
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?
- h

☐

Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1 - 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here . . . . . ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		



**Part IV** **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL

Employer identification number  
85-0289839

Part I

Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes <input type="checkbox"/> No</div>	

Part II

Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area

☐ Protection of natural habitat ☐ Preservation of a certified historic structure

☐ Preservation of open space

2

Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ \_\_\_\_\_

4

Number of states where property subject to conservation easement is located ▶ \_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes ☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ \_\_\_\_\_

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ \_\_\_\_\_

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes ☐ No

9

In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1

▶ \$ 243,100

(ii) Assets included in Form 990, Part X

▶ \$

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$

b

Assets included in Form 990, Part X

▶ \$

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** *(continued)*

3

Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☒ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

**Part IV Escrow and Custodial Arrangements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII and complete the following table

	Amount
1c	
1d	
1e	
1f	

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

**Part V Endowment Funds.** Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance	20,200			
b	Contributions	683			
c	Net investment earnings, gains, and losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses	418			
g	End of year balance	20,465			

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment 100 000 %

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i)

unrelated organizations

	Yes	No
3a(i)	Yes	

(ii)

related organizations

		No
3a(ii)		No

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b		

4

Describe in Part XIII the intended uses of the organization's endowment funds

**Part VI Land, Buildings, and Equipment.** See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		2,487,338		2,487,338
b Buildings		13,416,725	3,587,413	9,829,312
c Leasehold improvements		3,160,489	1,467,386	1,693,103
d Equipment		23,117,615	17,936,913	5,180,702
e Other		1,078,226		1,078,226
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				20,268,681



Part XI

Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements . . . . .		1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments . . . . .	2a		
b	Donated services and use of facilities . . . . .	2b		
c	Recoveries of prior year grants . . . . .	2c		
d	Other (Describe in Part XIII ) . . . . .	2d		
e	Add lines 2a through 2d . . . . .		2e	
3	Subtract line 2e from line 1 . . . . .		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a		
b	Other (Describe in Part XIII ) . . . . .	4b		
c	Add lines 4a and 4b . . . . .		4c	
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12 ) . . . . .		5	

Part XII

Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements . . . . .		1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			
a	Donated services and use of facilities . . . . .	2a		
b	Prior year adjustments . . . . .	2b		
c	Other losses . . . . .	2c		
d	Other (Describe in Part XIII ) . . . . .	2d		
e	Add lines 2a through 2d . . . . .		2e	
3	Subtract line 2e from line 1 . . . . .		3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:			
a	Investment expenses not included on Form 990, Part VIII, line 7b . . . . .	4a		
b	Other (Describe in Part XIII ) . . . . .	4b		
c	Add lines 4a and 4b . . . . .		4c	
5	Total expenses Add lines 3 and 4c. (This must equal Form 990, Part I, line 18 ) . . . . .		5	

Part XIII

Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE HOSPITAL IS A TAX-EXEMPT ORGANIZATION AND IS NOT SUBJECT TO FEDERAL OR STATE INCOME TAXES, EXCEPT FOR UNRELATED BUSINESS INCOME, IN ACCORDANCE WITH SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE. IN ADDITION, THE HOSPITAL QUALIFIED FOR THE CHARITABLE CONTRIBUTION DEDUCTION UNDER SECTION 170(B)(1)(A) AND HAS BEEN CLASSIFIED AS AN ORGANIZATION THAT IS NOT A PRIVATE FOUNDATION. UNRELATED BUSINESS INCOME TAX, IF ANY, IS INSIGNIFICANT AND NO TAX PROVISION HAS BEEN MADE IN THE ACCOMPANYING FINANCIAL STATEMENTS. THE HOSPITAL RECOGNIZES THE TAX BENEFIT FROM FROM UNCERTAIN TAX POSITIONS ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITIONS WILL BE SUSTAINED ON EXAMINATION BY THE TAX AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION. THE TAX BENEFIT IS MEASURED BASED ON THE LARGEST BENEFIT THAT HAS A GREATER THAN 50% LIKELIHOOD OF BEING REALIZED UPON ULTIMATE SETTLEMENT. THE HOSPITAL HAD NO UNCERTAIN TAX POSITIONS AT MAY 31, 2013 OR 2012.

SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**  
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2012

Open to Public Inspection

**Name of the organization**  
TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL

**Employer identification number**  
85-0289839

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . .	1a Yes	
b	If "Yes," was it a written policy? . . . . .	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input checked="" type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %  b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input checked="" type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care  4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	3a Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	4	No
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b	No
b	If "Yes," did the organization make it available to the public? . . . . .	5c	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.		6a Yes	
		6b Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . .		2,067	1,146,809		1,146,809	1 850 %
b Medicaid (from Worksheet 3, column a) . . . . .			7,728,411	6,909,676	818,735	1 320 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .						
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . .		2,067	8,875,220	6,909,676	1,965,544	3 170 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . .	19	36,820	990,937		990,937	1 600 %
f Health professions education (from Worksheet 5) . . . .	1	13	36,500		36,500	0 060 %
g Subsidized health services (from Worksheet 6) . . . .						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j <b>Total.</b> Other Benefits . . . .	20	36,833	1,027,437		1,027,437	1 660 %
k <b>Total.</b> Add lines 7d and 7j . .	20	38,900	9,902,657	6,909,676	2,992,981	4 830 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

No

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

5,521,552

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

3,794,849

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

12,106,304

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

13,870,095

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

-1,763,791

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.  
☐ Cost accounting system      ☒ Cost to charge ratio      ☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9b

Yes

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	HOLY CROSS HOSPITAL 1397 WEIMER RD TAOS,NM 87571	X	X					X			



Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

HOLY CROSS HOSPITAL

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A)

1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1	During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes
a	<input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b	<input checked="" type="checkbox"/> Demographics of the community		
c	<input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d	<input checked="" type="checkbox"/> How data was obtained		
e	<input checked="" type="checkbox"/> The health needs of the community		
f	<input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g	<input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h	<input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i	<input checked="" type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j	<input type="checkbox"/> Other (describe in Part VI)		
2	Indicate the tax year the hospital facility last conducted a CHNA 20 <u>12</u>		
3	In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes
4	Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	No
5	Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes
a	<input checked="" type="checkbox"/> Hospital facility's website		
b	<input checked="" type="checkbox"/> Available upon request from the hospital facility		
c	<input type="checkbox"/> Other (describe in Part VI)		
6	If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)		
a	<input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b	<input type="checkbox"/> Execution of the implementation strategy		
c	<input type="checkbox"/> Participation in the development of a community-wide plan		
d	<input type="checkbox"/> Participation in the execution of a community-wide plan		
e	<input type="checkbox"/> Inclusion of a community benefit section in operational plans		
f	<input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g	<input checked="" type="checkbox"/> Prioritization of health needs in its community		
h	<input type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i	<input type="checkbox"/> Other (describe in Part VI)		
7	Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7	Yes
8a	Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a	No
b	If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b	
c	If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____		

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b>	Yes
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>100 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b>	Yes
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>300 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b>	Yes
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	No
<b>a</b> <input type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input type="checkbox"/> Uninsured discount			
<b>f</b> <input type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b>	Yes
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		<b>14</b>	Yes
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input checked="" type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input type="checkbox"/> The policy was available upon request			
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .		<b>15</b>	Yes
<b>16</b> Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
<b>a</b> <input checked="" type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged		<b>17</b>	No
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			

Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☐

Notified individuals of the financial assistance policy on admission
- b

☐

Notified individuals of the financial assistance policy prior to discharge
- c

☐

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☐

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input checked="" type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

**Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility**  
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?  
\_\_\_\_\_

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART III, LINE 4 PATIENT ACCOUNTS RECEIVABLE ARE STATED AT THE AMOUNT MANAGEMENT EXPECTS TO COLLECT FROM OUTSTANDING BALANCES ESTIMATED PROVISIONS FOR DOUBTFUL ACCOUNTS ARE RECORDED TO THE EXTENT IS IT IS PROBABLE A PORTION OR ALL OF A PARTICULAR ACCOUNT WILL NOT BE COLLECTED THE HOSPITAL DETERMINES IF PATIENT ACCOUNTS RECEIVABLE ARE PAST DUE BASED ON THE DATE THE SERVICE WAS PERFORMED, AND THE HOSPITAL DOES NOT CHARGE INTEREST ON PAST DUE ACCOUNTS IN EVALUATING THE COLLECTIBILITY OF ACCOUNTS RECEIVABLE, THE COMPANY CONSIDERS A NUMBER OF FACTORS, INCLUDING THE AGE OF THE ACCOUNTS, CHANGES IN COLLECTION PATTERNS, THE COMPOSITION OF PATIENT ACCOUNTS BY PAYOR TYPE, THE STATUS OF ONGOING DISPUTES WITH THIRD PARTY PAYORS, AND GENERAL INDUSTRY CONDITIONS THE COSTING METHODOLOGY USED WAS A COST TO CHARGE RATIO THE RATIONALE FOR INCLUDING A PORTION OF BAD DEBT AMOUNTS AS COMMUNITY BENEFIT IS THAT BASED ON THE FACT THAT THE COMMUNITY HAS A 21% POVERTY RATE, MANY PATIENTS WHO ARE UNABLE TO PAY FOR THEIR MEDICAL SERVICES WOULD LIKELY QUALIFY FOR CHARITY CARE IF THEY COMPLETED THE FINANCIAL ASSISTANCE APPLICATION
		PART III, LINE 8 ALL OF THE MEDICARE SHORTFALL SHOULD BE TREATED AS COMMUNITY BENEFIT BECAUSE HOSPITALS MUST TREAT PATIENTS REGARDLESS OF THEIR ABILITY TO PAY THE GOVERNMENT SETS NON-NEGOTIABLE MEDICARE RATES, WHICH ARE SOMETIMES OUT OF LINE WITH THE TRUE COST TO TREAT MEDICARE PATIENTS BY TREATING MEDICARE ELIGIBLE PATIENTS, HOSPITALS ALLEVIATE THE FEDERAL GOVERNMENT'S BURDEN FOR DIRECTLY PROVIDING MEDICAL SERVICES THE DATA USED TO EVALUATE THE MEDICARE SHORTFALL WAS OBTAINED FROM THE FY 2013 MEDICARE COST REPORT

Identifier	ReturnReference	Explanation
		PART III, LINE 9B WHEN AN ACCOUNT IS FINAL BILLED AND IDENTIFIED AS SELF PAY, A LETTER IS SENT TO THE PATIENT REQUESTING EITHER PAYMENT OR THE PATIENT CONTACT THE HOSPITAL TO DISCUSS FINANCIAL ASSISTANCE PAYMENT PLANS WORKED OUT AND INDIGENT FUND APPLICATIONS CAN BE OBTAINED ON SELF PAY ACCOUNTS UNDER \$1,000 NO CALLS ARE MADE TO THE PATIENT AND COLLECTION EFFORTS ARE THE SAME FOR ALL ACCOUNTS UNLESS THE PATIENT IS MAKING PAYMENTS OR HAD INDICATED THAT THEY WILL APPLY FOR FINANCIAL ASSISTANCE ON SELF PAY ACCOUNTS \$1,000-\$5,000 THE PATIENT WILL BE CONTACTED AT LEAST 3 TIMES BY TELEPHONE TO ENCOURAGE THEM TO DISCUSS THEIR BILL AND APPLY FOR ASSISTANCE PATIENTS AGREEING TO APPLY FOR THE INDIGENT FUND WILL BE GIVEN APPLICATIONS AND ASSISTED IN COMPLETING IF NECESSARY ON ACCOUNTS UNDER \$2,000, INCOMPLETE APPLICATIONS WILL NOT BE ACCEPTED ON ACCOUNTS OVER \$2,000, WE WILL ACCEPT ALL APPLICATIONS AND CALL THE PATIENT WEEKLY FOR 3 WEEKS TO OBTAIN THE MISSING INFORMATION AFTER 3 WEEKS, WE WILL MAIL THE APPLICATION TO THE PATIENT EXPLAINING THAT WE WERE UNABLE TO PROCESS AND TO BRING THE APPLICATION BACK TO US WHEN IT IS COMPLETE WHEN PATIENTS APPLY BUT FAIL TO QUALIFY FOR THE INDIGENT FUND WE WILL STILL WORK WITH THEM TO GIVE THEM CHARITY CARE UNDER THE HOSPITALS GUIDELINES ON SELF PAY ACCOUNTS OVER \$5000 THE PATIENT WILL BE CALLED AS SOON AS THE ACCOUNT IS 'IDENTIFIED' THE PATIENT WILL ALSO BE CALLED PRIOR TO EACH ADDITIONAL COLLECTION LETTER BEING SENT AFTER ALL APPROPRIATE COLLECTION LETTERS HAVE BEEN SENT AND TELEPHONE CALLS HAVE BEEN MADE AND THE PATIENT HAS NOT MADE AN ATTEMPT TO MAKE SUITABLE ARRANGEMENTS, THE ACCOUNT WILL BE REFERRED TO AN OUTSIDE COLLECTION AGENCY
HOLY CROSS HOSPITAL		PART V, SECTION B, LINE 3 HOLY CROSS HOSPITAL PARTNERED WITH QUORUM HEALTH RESOURCES TO COMPLETE THE CHNA IN ACCORDANCE WITH THE LATEST FEDERAL REGULATIONS SURROUNDING THE ASSESSMENT TO TAKE INTO ACCOUNT INPUT FROM THE COMMUNITY, QUORUM DEPLOYED A "ROUND 1" SURVEY TO LOCAL EXPERT ADVISORS TO GAIN LOCAL INPUT ON LOCAL HEALTH NEEDS AND THE NEEDS OF PRIORITY POPULATIONS LOCAL EXPERT ADVISORS WERE LOCAL INDIVIDUALS SELECTED ACCORDING TO CRITERIA REQUIRED BY FEDERAL GUIDELINES AND REGULATIONS AND HOLY CROSS HOSPITAL'S DESIRE TO REPRESENT THE REGION'S DIVERSE POPULATION 17 LOCAL EXPERT ADVISORS RESPONDED TO THE SURVEY, AND QUORUM SUMMARIZED THE RESPONSES QUORUM PRESENTED THE SUMMARY CONCLUSIONS TO THE LOCAL GROUP OF EXPERTS AND ASKED WHETHER THEY AGREED OR DISAGREED WITH THE CONCLUSIONS THIS EXCHANGE RESULTED IN THE IDENTIFICATION OF ADDITIONAL NEEDS AFTER THE POTENTIAL NEEDS WERE THUS IDENTIFIED BY LOCAL EXPERTS, QUORUM CONSULTED WITH 32 LOCAL EXPERTS VIA THE INTERNET THE CONSULTATION WAS IN THE FORM OF A STRUCTURED COMMUNICATION TECHNIQUE KNOWN AS THE DELPHI METHOD, IN WHICH THE EXPERTS ANSWERED SURVEY QUESTIONS IN A SERIES OF ROUNDS AFTER EACH ROUND, QUORUM PROVIDED AN ANONYMOUS SUMMARY OF ALL THE EXPERTS' RESPONSES THE PROCESS ENCOURAGES EXPERTS TO REVISE THEIR EARLIER ANSWERS AND TO MOVE TOWARD A CONSENSUS REGARDING THE HIGHEST PRIORITY NEEDS THE EXPERTS' RANKINGS GUIDED HOLY CROSS HOSPITAL IN DEVELOPING ITS IMPLEMENTATION RESPONSE

Identifier	ReturnReference	Explanation
	PAT V, SECTION B, LINE 5A	THE COMMUNITY HEALTH NEEDS ASSESSMENT CAN BE ACCESSED AT <a href="http://taoshospital.org/uploads/files/hch_-chna_report_of_5-17-13_final.pdf">HTTP //TAOSHOSPITAL ORG/UPLOADS/FILES/HCH_- CHNA_REPORT_OF_5-17-13_FINAL</a> PDF
		PART VI, LINE 2 THE TAOS HEALTH SYSTEMS COMMUNITY BENEFIT COORDINATOR RELIES ON THE MOST UP TO DATE STATE AND FEDERAL DATA TO CREATE AN OVERVIEW OF HEALTH STATUS FOR OUR COMMUNITY THE COMMUNITY BENEFIT TEAM IS IN THE PROCESS OF CONDUCTING AN EXTENSIVE UPDATED NEEDS ASSESSMENT FOR REGIONAL GROWTH AND DEVELOPMENT IN THE COMMUNITY FOR FY 2013 THIS YEAR, NEEDS WERE DETERMINED FROM THE MOST RECENT STATE AND FEDERAL DATA AND FROM THE COMMUNITY HEALTH PROFILE CREATED IN 2009, AN EXTENSIVE STUDY OF COMMUNITY NEEDS CREATED FROM DATA COMPILATION, FOCUS GROUPS, KEY INFORMANT INTERVIEWS, AND SURVEYS CREATED IN COLLABORATION WITH COMMUNITY COALITIONS AND NETWORKS

Identifier	ReturnReference	Explanation
		PART VI, LINE 3 THE POLICY IS ATTACHED TO BILLING INVOICES AND IS POSTED ON THE HOSPITAL'S WEBSITE IT IS ALSO AVAILABLE IN THE HOSPITAL'S BILLING OFFICE
		PART VI, LINE 4 TAOS HEALTH SYSTEM SERVES APPROXIMATELY 51,000 RESIDENTS OF TAOS, COLFAX, AND NORTHERN RIO ARRIBA COUNTIES, A DIVERSE CULTURAL COMMUNITY WITH A POVERTY RATE OF 21% IN A GEOGRAPHIC AREA OF MORE THAN 2,200 SQUARE MILES THE POPULATION OF TAOS COUNTY IS 56.1% HISPANIC OR LATINO, AND 7.3% NATIVE AMERICAN (COLFAX IS 47.6% HISPANIC/LATINO, 2.2% NATIVE AMERICAN, RIO ARRIBA IS 71% HISPANIC OR LATINO AND 17.9% NATIVE AMERICAN) NEARLY 20% OF OUR COLLECTIVE POPULATION IS 65 OR OVER, COMPARED TO 13.6% NATIONWIDE, SO WE SEE DISPROPORTIONATELY HIGH ONSET IN CHRONIC DISEASES IN 2009, 19.7% OF THE POPULATION IN TAOS COUNTY LIVED BELOW THE POVERTY LEVEL, COMPARED TO 14.3% NATIONWIDE THE PROPORTION OF TAOS COUNTY CHILDREN IN IMPOVERISHED OR LOW-INCOME FAMILIES REMAINS ONE OF THE HIGHEST IN THE COUNTRY, WITH MORE THAN 25% OF ALL CHILDREN IN POVERTY, 43% NEAR POVERTY, AND MORE THAN HALF LOW INCOME



Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 5 THS CONTAINS HOLY CROSS HOSPITAL, THE WOMEN'S HEALTH INSTITUTE, TAOS SURGICAL SPECIALTIES AND THE PENASCO HEALTH CLINIC THS ALSO HAS A JOINT VENTURE WITH TAOS PHYSICAL THERAPY AND REHABILITATION, AND MORENO VALLEY HEALTH CARE CLINIC IN ANGEL FIRE IS ALSO AN AFFILIATE WE PROVIDE PRIMARY CARE, ACUTE HOSPITAL CARE, SURGERY CARE, AND REHABILITATIVE SPORTS MEDICINE AND PHYSICAL THERAPY SERVICES AS WELL AS A WOMEN'S HEALTH CLINIC, A RURAL HEALTH CLINIC, AND A SURGICAL SPECIALTIES CLINIC TO ENSURE THAT THE COMMUNITY'S NEED FOR THOSE SERVICES IS MET OUR SYSTEM INCLUDES 80 PHYSICIANS FROM EVER-EXPANDING SPECIALTIES THAT INCLUDE INTERNAL MEDICINE, CARDIOLOGY, OB/GYN, ORTHOPEDICS, GENERAL SURGERY, UROLOGY AND A FULLY STAFFED AND TECHNOLOGICALLY EQUIPPED EMERGENCY DEPARTMENT OUR HEALTH OUTREACH DEPARTMENT PROVIDES A NUMBER OF COMMUNITY BENEFIT PROGRAMS THAT SERVE A WIDE ARRAY OF AREA RESIDENTS AT NO OR LOW COST INCLUDING MEDICAID ENROLLMENT PROVIDES COMMUNITY HEALTH WORKERS, INCLUDING BILINGUAL CHW'S, WHO ASSIST UNINSURED PEOPLE WITH MEDICAID ACCESSDIABETES MANAGEMENT PROVIDES DISEASE MANAGEMENT STRATEGIES FOR PRE-DIABETICS AND PEOPLE LIVING WITH TYPE I &amp; II DIABETES NUTRITION COUNSELING PROVIDES MULTI-FACETED COUNSELING FOR PATIENTS FACING CHRONIC DISEASE AND OBESITY PRESCRIPTION ASSISTANCE PROVIDES EMERGENCY AND ONGOING ASSISTANCE FOR PATIENTS UNABLE TO PAY FOR THEIR MEDICATIONS MEDICATION THERAPY MANAGEMENT IMPROVES MEDICATION SAFETY AND EFFECTIVENESS FOR ANYONE ON PRESCRIPTION MEDICATIONS OVERDOSE PREVENTION PROVIDES PREVENTION STRATEGIES TO COMMUNITY MEMBERS AT RISK FOR OPIATE OVERDOSE TOBACCO USE PREVENTION AND CONTROL PROVIDES CESSATION EDUCATION FOR LOCAL YOUTH, IMMIGRANT, LGBTQ AND NATIVE COMMUNITIES CANCER SUPPORT SERVICES PROVIDES SERVICES FOR PATIENTS AND FAMILIES LIVING WITH CANCER FIRST STEPS HOME VISITING PROVIDES SUPPORT FOR FIRST-TIME FAMILIES WITH CHILDREN AGES 0-3 TAOS LOVES KIDS PARENTING CLASSES PROVIDE TRAINING FOR CAREGIVERS OF CHILDREN AGES 0-5 KIDS FIRST! SUPPORTS THE MENTAL AND PHYSICAL HEALTH OF PENASCO VALLEY FAMILIES THE ANTI-COAGULATION CLINIC MONITORS AND ADJUSTS DRUG THERAPY FOR PEOPLE WHO SUFFER FROM CARDIOVASCULAR DISEASE AND ARE AT RISK FOR BLOOD CLOTS</p>



Schedule J  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, question 23.

▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL

Employer identification number  
85-0289839

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	<div><input type="checkbox"/> First-class or charter travel</div> <div><input type="checkbox"/> Travel for companions</div> <div><input type="checkbox"/> Tax idemnification and gross-up payments</div> <div><input type="checkbox"/> Discretionary spending account</div> <div><input type="checkbox"/> Housing allowance or residence for personal use</div> <div><input type="checkbox"/> Payments for business use of personal residence</div> <div><input type="checkbox"/> Health or social club dues or initiation fees</div> <div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div>			
b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	<div><input checked="" type="checkbox"/> Compensation committee</div> <div><input type="checkbox"/> Independent compensation consultant</div> <div><input type="checkbox"/> Form 990 of other organizations</div> <div><input checked="" type="checkbox"/> Written employment contract</div> <div><input checked="" type="checkbox"/> Compensation survey or study</div> <div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div>			
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
a	Receive a severance payment or change-of-control payment?	4a		No
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b		No
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		No
b	Any related organization?	5b		No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a		No
b	Any related organization?	6b		No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?	9		

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

**Note.** The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual.

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)PETER HOFSTETTER CEO	(i)	267,260	0	0	51,264	17,088	335,612	0
	(ii)	0	0	0	0	0	0	0
(2)RIC EISENRING CFO	(i)	163,305	0	0	31,324	10,441	205,070	0
	(ii)	0	0	0	0	0	0	0
(3)RICHARD MASSEN SURGEON	(i)	319,110	0	0	0	3,909	323,019	0
	(ii)	0	0	0	0	0	0	0
(4)SHANTI MOHLING OBSTETRICIAN	(i)	261,034	0	0	0	3,909	264,943	0
	(ii)	0	0	0	0	0	0	0
(5)STEPHEN CETRULO SURGEON	(i)	245,460	0	0	0	0	245,460	0
	(ii)	0	0	0	0	0	0	0
(6)TIMOTHY MOORE OBSTETRICIAN	(i)	238,192	0	0	0	1,032	239,224	0
	(ii)	0	0	0	0	0	0	0
(7)ALDEN G COCKBURN SURGEON	(i)	316,363	0	0	0	1,453	317,816	0
	(ii)	0	0	0	0	0	0	0

**Part III**   **Supplemental Information**

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE M  
(Form 990)

Noncash Contributions

OMB No 1545-0047

2012

Open to Public Inspection

►Complete if the organizations answered "Yes" on Form 990, Part IV, lines 29 or 30.  
► Attach to Form 990.

Name of the organization  
TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL

Employer identification number  
85-0289839

Part I

Types of Property

	(a) Check if applicable	(b) Number of contributions or items contributed	(c) Noncash contribution amounts reported on Form 990, Part VIII, line 1g	(d) Method of determining noncash contribution amounts
1 Art—Works of art . . . . .	X	6	243,100	OPINIONS OF EXPERTS
2 Art—Historical treasures . . . . .				
3 Art—Fractional interests . . . . .				
4 Books and publications . . . . .				
5 Clothing and household goods . . . . .				
6 Cars and other vehicles . . . . .				
7 Boats and planes . . . . .				
8 Intellectual property . . . . .				
9 Securities—Publicly traded . . . . .	X	1	14,981	FMV
10 Securities—Closely held stock . . . . .				
11 Securities—Partnership, LLC, or trust interests . . . . .				
12 Securities—Miscellaneous . . . . .				
13 Qualified conservation contribution—Historic structures . . . . .				
14 Qualified conservation contribution—Other . . . . .				
15 Real estate—Residential . . . . .				
16 Real estate—Commercial . . . . .				
17 Real estate—Other . . . . .				
18 Collectibles . . . . .				
19 Food inventory . . . . .				
20 Drugs and medical supplies . . . . .				
21 Taxidermy . . . . .				
22 Historical artifacts . . . . .				
23 Scientific specimens . . . . .				
24 Archeological artifacts . . . . .				
25 Other ► ( )				
26 Other ► ( )				
27 Other ► ( )				
28 Other ► ( )				

29 Number of Forms 8283 received by the organization during the tax year for contributions for which the organization completed Form 8283, Part IV, Donee Acknowledgement . . . . .29

30a During the year, did the organization receive by contribution any property reported in Part I, lines 1-28 that it must hold for at least three years from the date of the initial contribution, and which is not required to be used for exempt purposes for the entire holding period? . . . . .

31 If "Yes," describe the arrangement in Part II

32a Does the organization have a gift acceptance policy that requires the review of any non-standard contributions? . . . . .

33a Does the organization hire or use third parties or related organizations to solicit, process, or sell noncash contributions? . . . . .

33b If "Yes," describe in Part II

33 If the organization did not report an amount in column (c) for a type of property for which column (a) is checked, describe in Part II

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 51227J

Schedule M (Form 990) (2012)

Part II

Supplemental Information. Complete this part to provide the information required by Part I, lines 30b, 32b, and 33, and whether the organization is reporting in Part I, column (b), the number of contributions, the number of items received, or a combination of both. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury

Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.  
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL	Employer identification number 85-0289839
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 3	CONTRACTED TO QUORUM HEALTH RESOURCES FOR MANAGEMENT SERVICES
	FORM 990, PART VI, SECTION A, LINE 4	THE ORGANIZATION CHANGED ITS MISSION STATEMENT IN MARCH OF 2013
	FORM 990, PART VI, SECTION B, LINE 11	AFTER THE RETURN IS PREPARED BY AN INDEPENDENT ACCOUNTING FIRM, THE CFO AND CEO REVIEW A COPY OF THE FORM 990 FOR COMPLETENESS AND ACCURACY ONCE APPROVED BY THE CEO AND CFO, A COPY IS PROVIDED TO THE BOARD OF DIRECTORS FOR REVIEW THE BOARD OF DIRECTORS THEN APPROVES THE FINAL COPY AND THE RETURN IS FILED
	FORM 990, PART VI, SECTION B, LINE 12C	THE COMPLIANCE COMMITTEE MONITORS AND ENFORCES THE CONFLICT OF INTEREST POLICY BOARD MEMBERS, SENIOR LEADERS, DIRECTORS AND KEY EMPLOYEES MUST COMPLETE A CONFLICT OF INTEREST POLICY ANNUALLY
	FORM 990, PART VI, SECTION B, LINE 15	AN INDEPENDENT MANAGEMENT COMPANY UTILIZES SURVEYS AND COMPARATIVE DATA TO DETERMINE COMPENSATION FOR THE CEO, TOP MANAGEMENT OFFICIALS, OFFICERS AND KEY EMPLOYEES
	FORM 990, PART VI, SECTION C, LINE 18	THE FORM 990 AND FORM 1023 ARE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST
	FORM 990, PART VI, SECTION C, LINE 19	THE AUDITED FINANCIAL STATEMENTS, CONFLICT OF INTEREST POLICY, AND ALL OTHER GOVERNING AND ORGANIZING DOCUMENTS ARE AVAILABLE FOR PUBLIC INSPECTION UPON REQUEST
	FORM 990, PART VII, SECTION B, INDEPENDENT CONTRACTORS	AS PART OF THE MANAGEMENT CONTRACT WITH QUORUM HEALTH RESOURCES, THE HOSPITAL RECEIVES MANY ADDITIONAL BENEFITS AND SERVICES INCLUDING PARTICIPATION IN THE HEALTHTRUST PURCHASING GROUP ALLIANCE, ACCESSING SAVINGS ON HOSPITAL SUPPLIES AND OTHER ITEMS IN EXCESS OF \$700,000 ANNUALLY THE MANAGEMENT COMPANY ALSO PROVIDES AN ARRAY OF ON-GOING CONSULTING SERVICES AT LITTLE OR NO COST INCLUDING PATIENT FINANCIAL SERVICES, CASE MANAGEMENT, COMPLIANCE, ACCOUNTING AND LEGAL, AUDIT AND REIMBURSEMENT, LABOR PRODUCTIVITY, MANAGED CARE CONTRACTS, AMONG OTHERS
OTHER FEES	FORM 990, PART IX, LINE 11G	CONTRACT SERVICES MEDICAL PROGRAM SERVICE EXPENSES 4,297,426 MANAGEMENT AND GENERAL EXPENSES 4,502 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 4,301,928 CONTRACT SERVICES OPERATIONAL AND G&A PROGRAM SERVICE EXPENSES 4,205,654 MANAGEMENT AND GENERAL EXPENSES 536,746 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 4,742,400
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	BOOK INCOME/(LOSS) FROM EQUITY METHOD CORPORATION -27,469 BOOK/TAX DIFFERENCE IN TSM K-1 -76,916 EXPENSES CONNECTED WITH UNRELATED BUSINESS INCOME -37,825



SCHEDULE R  
(Form 990)

Related Organizations and Unrelated Partnerships

OMB No 1545-0047

2012

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.

Name of the organization  
TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL

Employer identification number  
85-0289839

Part I

Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) TAOS PROFESSIONAL SERVICES 1397 WEIMER RD TAOS, NM 87571 27-4259044	CLINICS	NM	3,026,947	618,524	TAOS HEALTH SYSTEMS

Part II

Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No

Part III

Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproporionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) TAOS SPORTS MEDICINE SERVICES LLC  1398 WEIMER RD STE 103 TAOS, NM 87571 85-0473650	PHYSICAL THERAPY REHABILITATION	NM	HCH	RELATED	100,577	442,194		No		Yes		94 100 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35b, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

Yes

No

1a Yes

1b No

1c No

1d No

1e No

1f No

1g No

1h No

1i No

1j No

1k No

1l No

1m No

1n No

1o No

1p No

1q No

1r No

1s No

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) TAOS SPORTS MEDICINE SERVICES LLC	A	591	

Schedule R (Form 990) 2012

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

**Software ID:**  
**Software Version:**  
**EIN:** 85-0289839  
**Name:** TAOS HEALTH SYSTEMS INC DBA HOLY CROSS HOSPITAL

**Part VII** Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation	
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Report of Independent Auditors  
and Consolidated Financial Statements  
With Supplementary Information for

Holy Cross Hospital and Subsidiaries

May 31, 2013 and 2012

MOSS ADAMS LLP

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors  
Holy Cross Hospital and Subsidiaries

### **Report on Financial Statements**

We have audited the accompanying consolidated financial statements of Holy Cross Hospital, a division of Taos Health Systems, Inc., and subsidiaries, which comprise the consolidated balance sheets as of May 31, 2013 and 2012, 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 financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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



The Board of Directors  
Holy Cross Hospital and Subsidiaries

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Holy Cross Hospital and Subsidiaries as of May 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 22, 2013

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# HOLY CROSS HOSPITAL AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

ASSETS		May 31,	
		2013	2012
CURRENT ASSETS			
Cash and cash equivalents	\$	1,424,603	\$ 3,169,951
Short-term investments		321,307	3,019,603
Patient accounts receivable, net of allowance for doubtful accounts of \$3,342,152 in 2013 and \$5,321,630 in 2012		6,891,200	7,699,626
Estimated third-party payor settlements		670,896	-
Other receivables		2,052,981	2,333,060
Prepaid expenses		1,236,838	1,151,383
Inventories		1,602,440	1,660,989
		14,200,265	19,034,612
PHYSICIAN RECEIVABLES		25,000	-
ASSETS LIMITED AS TO USE		2,503,551	3,548,400
EQUITY IN NET ASSETS OF PHO AFFILIATE		25,232	52,701
PROPERTY AND EQUIPMENT, net		20,410,543	21,916,955
OTHER ASSETS		18,249	23,249
Total assets	\$	37,182,840	\$ 44,575,917

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

**LIABILITIES AND NET ASSETS**

	May 31,	
	2013	2012
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,722,633	\$ 3,537,428
Accrued expenses	2,293,006	3,041,601
Current portion of long-term debt	407,329	1,189,863
Current portion of capital lease obligations	341,014	359,223
Deferred revenue	-	104,291
Estimated third-party payor settlements	-	436,747
	6,763,982	8,669,153
LONG-TERM DEBT, net of current portion	-	6,809
CAPITAL LEASE OBLIGATIONS, net of current portion	537,278	878,292
Total liabilities	7,301,260	9,554,254
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>		
<b>NET ASSETS</b>		
Unrestricted	28,774,081	33,838,771
Temporarily restricted	949,807	1,026,518
Total Holy Cross Hospital and Subsidiary net assets	29,723,888	34,865,289
Noncontrolling interest in T.S.M. subsidiary	157,692	156,374
Total net assets	29,881,580	35,021,663
Total liabilities and net assets	\$ 37,182,840	\$ 44,575,917

# HOLY CROSS HOSPITAL AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended May 31,	
	2013	2012
UNRESTRICTED REVENUES, gains and other support		
Net patient service revenue	\$ 54,786,246	\$ 62,251,751
Provision for uncollectible accounts	5,580,660	6,553,115
Net patient service revenue less provision for uncollectible accounts	49,205,586	55,698,636
Other revenue	2,517,198	1,778,915
Net assets released from restrictions used for operations	385,524	724,618
Total unrestricted revenues, gains and other support	52,108,308	58,202,169
EXPENSES		
Salaries and wages	25,062,665	25,738,344
Purchased services	7,183,436	7,595,069
Supplies	7,039,747	7,272,656
Employee benefits	4,751,659	4,541,944
Depreciation and amortization	2,865,103	2,807,343
Professional fees	2,912,222	2,702,982
Insurance	1,298,547	1,412,494
Repairs and maintenance	1,441,924	1,391,754
Management fees	1,093,225	1,238,084
Leases and rentals	1,224,689	1,154,154
Grants and scholarships	706,681	897,143
Utilities	853,119	861,369
Marketing and advertising	98,655	288,997
Recruiting	106,755	161,042
Travel	83,748	135,649
Interest	77,338	110,624
Other	1,163,621	1,111,069
Total expenses	57,963,134	59,420,717
OPERATING LOSS	(5,854,826)	(1,218,548)
OTHER INCOME (EXPENSES)		
Investment income	736,771	527,198
Other income	(8,021)	33,711
DEFICIENCY OF REVENUES OVER EXPENSES	(5,126,076)	(657,639)
NET UNREALIZED LOSSES ON ASSETS LIMITED AS TO USE		
OTHER THAN TRADING SECURITIES	(38,827)	(491,022)
NET ASSETS RELEASED FROM RESTRICTIONS	101,531	-
DECREASE IN NET ASSETS	(5,063,372)	(1,148,661)
NONCONTROLLING INTEREST IN T S M SUBSIDIARY'S NET INCOME	(1,318)	(21,926)
DECREASE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO HOLY CROSS HOSPITAL AND SUBSIDIARY	\$ (5,064,690)	\$ (1,170,587)

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

	Years Ended May 31,	
	2013	2012
UNRESTRICTED NET ASSETS, attributable to Holy Cross Hospital and Subsidiary		
Unrestricted net assets, beginning of year	\$ 33,838,771	\$ 35,009,358
Deficiency of revenue over expenses	(5,126,076)	(657,639)
Net unrealized losses on assets limited as to use other than trading securities	(38,827)	(491,022)
Net assets released from restrictions	101,531	
Noncontrolling interest in T S M subsidiary's net income	(1,318)	(21,926)
Decrease in unrestricted net assets	(5,064,690)	(1,170,587)
Unrestricted net assets, end of year	\$ 28,774,081	\$ 33,838,771
TEMPORARILY RESTRICTED NET ASSETS, attributable to Holy Cross Hospital and Subsidiary		
Temporarily restricted net assets, beginning of year	\$ 1,026,518	\$ 553,489
Restricted grant and donations	410,344	1,197,647
Net assets released from restrictions	(487,055)	(724,618)
(Decrease) increase in temporarily restricted net assets	(76,711)	473,029
Temporarily restricted net assets, end of year	\$ 949,807	\$ 1,026,518
NONCONTROLLING INTEREST IN T S.M SUBSIDIARY, beginning of year		
Noncontrolling interest in T.S M subsidiary's net income	1,318	21,926
Distributions	-	(28,935)
Increase (decrease) in noncontrolling interest	1,318	(7,009)
Noncontrolling interest in T.S M subsidiary, end of year	\$ 157,692	\$ 156,374
NET ASSETS, beginning of year	\$ 35,021,663	\$ 35,726,230
Decrease in net assets	(5,140,083)	(704,567)
NET ASSETS, end of year	\$ 29,881,580	\$ 35,021,663

# HOLY CROSS HOSPITAL AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended May 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (5,140,083)	\$ (704,567)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Provision for bad debts	5,580,660	6,553,115
Depreciation and amortization	2,865,103	2,807,343
Loss on sale of equipment	1,022	(5,000)
Loss on disposal of equipment	-	647,154
Net unrealized gains (losses) on assets limited as to use other than trading securities	(38,827)	491,022
Gain on sale of assets limited as to use	(616,973)	(388,249)
Forgiveness of and bad debt provision on physician loans	(25,000)	103,069
Net income from PHO affiliate	27,469	(19,484)
Changes in assets and liabilities		
Patient accounts receivable	(4,772,234)	(6,546,756)
Inventories	40,568	91,821
Prepaid expenses	(67,474)	(599,492)
Other assets	285,079	(924,126)
Accounts payable	185,205	1,000,767
Accrued expenses	(748,595)	(458,255)
Deferred revenue	(104,291)	(14,978)
Net amounts due to third-party payors	(1,107,643)	8,422
Net cash (used in) provided by operating activities	<u>(3,636,014)</u>	<u>2,041,806</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of equipment	-	1,440
Purchase of property and equipment	(1,359,713)	(2,193,629)
Purchase of short-term investments	(2,203)	(12,632)
Proceeds from the sale of short-term investments	2,700,499	102,833
Proceeds from the sale of assets limited as to use	3,021,325	2,705,800
Purchase of assets limited as to use	(1,320,676)	(986,743)
Net cash provided by (used in) investing activities	<u>3,039,232</u>	<u>(382,931)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term borrowings	(1,708,048)	(1,372,429)
Proceeds from issuance of long-term borrowings	918,705	1,095,537
Principal payments under capital lease obligations	(359,223)	(348,711)
Net cash used in financing activities	<u>(1,148,566)</u>	<u>(625,603)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,745,348)	1,033,272
CASH AND CASH EQUIVALENTS, beginning of the year	<u>3,169,951</u>	<u>2,136,679</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,424,603</u>	<u>\$ 3,169,951</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 77,338</u>	<u>\$ 110,624</u>

# HOLY CROSS HOSPITAL AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **Note 1 – Nature of Organization and Summary of Significant Accounting Policies**

**Organization** – Holy Cross Hospital, a division of Taos Health Systems, Inc. (Hospital), located in Taos, New Mexico, is a not-for-profit 49-bed acute care hospital. The Hospital provides inpatient, outpatient, and emergency care services for residents of Taos County and surrounding areas. Admitting physicians are practitioners in the local area and employees of the hospital.

In 2008, the Hospital established two 100% owned affiliates, MOMs and Taos Surgical Specialists (TSS). MOMs operates as an obstetrics and gynecology clinic and TSS is a surgery clinic. The Hospital also holds a majority interest in a subsidiary, Taos Sports Medicine Service, LLC (T.S.M.). Taos Sports Medicine contains two divisions, Taos MRI Services and Taos Center for Rehabilitation and Sports Medicine. The Hospital has a 50% ownership interest in Taos MRI Services, and a 66.7% ownership interest in Taos Center for Rehabilitation and Sports Medicine. The accompanying financial statements include all activities and accounts of the Hospital, MOMS, TSS, and Taos Sports Medicine. All transactions between these entities have been eliminated in consolidation. The outside investor's noncontrolling interest in Taos Sports Medicine is included in the Hospital's financial statements as a noncontrolling interest in subsidiary.

The Hospital has a management agreement with Quorum Health Resources, a healthcare management company, to supervise and direct the daily operations of the Hospital. The agreement expires in May 2014. Management fees were \$1,174,945 and \$1,238,084 in 2013 and 2012, respectively. The Hospital was provided other services by Quorum outside of the management agreement, which approximated \$82,000 and \$150,000 in 2013 and 2012, respectively. Fees for the other services provided by Quorum are included in the caption *Purchased Services* in the accompanying statements of operations.

**Basis of presentation** – Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities–Presentation of Financial Statements*. Under this guidance, the Hospital is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates contained in the Hospital's financial statements include the allowance for doubtful accounts, contractual allowance, estimated third-party payor settlements and depreciation and amortization.



## HOLY CROSS HOSPITAL AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

#### Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

**Recent accounting pronouncements** – During the year ended May 31, 2013, the Hospital adopted FASB ASU 2011-07, Health Care Entities (Topic 954) *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. The amendments in the guidance require that health care entities that have a policy of providing services to patients and recording significant patient service revenue regardless of their ability to pay to present bad debt expense separately as a deduction from patient service revenue. This presentation applies only to bad debts on patient service revenue; bad debt expense related to other sources of revenue will continue to be reported as operating expense. In addition, upon adoption, such health care entities are required to include expanded disclosures related to patient service revenue and patient accounts receivable. The Hospital's financial statements reflect the classification of bad debt expense as a deduction from patient service revenues, and also include the required expanded disclosures.

**Cash and cash equivalents** – Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Hospital places its temporary cash investments with high credit quality financial institutions. At times, such deposits exceed FDIC insurance coverage; however, the Hospital has not experienced any losses in such accounts.

**Fair value measurements** – The Hospital is required to follow a framework for measuring fair value under accounting principles generally accepted in the United States and provides disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to the Hospital's assumptions (unobservable inputs). Fair value measurements are required to be separately disclosed by level within the fair value hierarchy. For assets and liabilities recorded at fair value, it is the Hospital's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements.

Except for certificates of deposit, investments are reported at fair value. Certificates of deposit are carried at cost, which approximates fair value.

**Short-term investments** – Short-term investments consist of investments with original maturities between three months and one year. The short-term investments consist of certificates of deposit. At times, such investments may be in excess of the FDIC insurance limit; however, the Hospital has not experienced any losses in such accounts.

**Inventories** – Inventories consist of supplies and are stated at cost using the first-in first-out method.

## HOLY CROSS HOSPITAL AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

#### **Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)**

**Investments** – Investments are measured at fair value in the balance sheet. Realized gains and losses on investments, and interest and dividend income are included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. As all investment securities are classified as available for sale, unrealized gains and losses on investments are excluded from the excess of revenues over expenses and are recorded as changes in net assets. Certificates of deposit exceed federal depository insurance and therefore are subject to custodial credit risk. Management does not expect any losses in such accounts.

**Assets limited as to use** – Assets limited as to use primarily include investments held in brokerage accounts as collateral for the outstanding notes payable and designated assets set aside by the Board of Directors (Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes.

**Patient accounts receivable** – Patient accounts receivable are stated at the amount management expects to collect from third-party payors, patients, and others. Estimated provisions for doubtful accounts are recorded to the extent it is probable a portion or all of a particular account will not be collected. The Hospital determines if patient accounts receivable are past-due based on the date the service was performed, and the Hospital does not charge interest on past-due accounts.

In evaluating the collectability of accounts receivable, the Hospital considers a number of factors, including the age of the accounts, changes in collection patterns by major payor source, the composition of patient accounts by major payor source, the status of ongoing disputes with third party payors and general industry conditions.

Contractual allowances represent the amounts which reduce patient accounts receivable to amounts that are considered to be due from third-party payors based on existing contracts the Hospital has with these payors. The contractual allowance percentages are updated several times per year by payor class and line of business. Contractual allowances are deducted from gross patient accounts receivable on the consolidated balance sheets.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts, if necessary. For receivables associated with self-pay patients, the Hospital records a significant allowance for doubtful accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The Hospital's allowance for doubtful accounts for self-pay patients was approximately 70% of self-pay accounts receivable at May 31, 2013. During the year ended May 31, 2013, the Hospital wrote off self-pay receivables of approximately \$7.6 million, and the Hospital did not change its charity care or uninsured discount policies. The Hospital does not maintain a material allowance for doubtful accounts from third-party payors, nor does it have significant write-offs from third-party payors.

## **HOLY CROSS HOSPITAL AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

#### **Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)**

Management believes that the allowances for doubtful accounts and contractual allowances are adequate. Because of the uncertainty regarding the ultimate collectability of patient accounts receivable, there is a possibility that recorded estimates of the allowance for doubtful accounts and contractual allowances will change by a material amount in the near term.

**Property and equipment, net** – Property and equipment acquisitions are recorded at cost. Assets are capitalized if the cost is greater than \$2,000. Depreciation is provided over the estimated useful life (3 to 40 years) of each class of depreciable assets and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-line method over a shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**Investment accounted for under the equity method** – The Hospital has a 50% ownership interest in Holy Cross Physicians Health Organization, Inc., a Physician Hospital Organization (PHO) created to present a united group of health care providers to negotiate contracts with managed care organizations. This investment is accounted for under the equity method of accounting. Under the equity method, the original investment is recorded at cost and adjusted by the Hospital's share of undistributed earnings or losses of this entity.

**Net assets and changes therein** – Net assets and income, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Hospital and changes therein are classified and reported as follows:

**Unrestricted** – Unrestricted net assets represent those resources that are not restricted by donors, or for which donor-imposed restrictions have expired.

**Temporarily restricted** – Temporarily restricted net assets reflect donor-imposed restrictions that require the Hospital to use or expend the related assets as specified. The restrictions are satisfied either by the passage of time or by the satisfaction of donor specified use.

The Hospital records contributions as temporarily restricted if they are received with donor stipulations that limit their use through either purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions received and expended in the same accounting period are recorded in the unrestricted net asset category.

**Excess of revenues over expenses** – The statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets 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).

# HOLY CROSS HOSPITAL AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)

**Net patient service revenue** – The Hospital has arrangements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed cost, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net amounts realizable from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized during the year ended May 31, 2013, is as follows:

	Third-party Payors	Self-pay	Total
Net patient service revenue	\$ 44,004,666	\$ 10,781,580	\$ 54,786,246

**Charity care** – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

**Advertising costs** – Advertising costs are expensed as incurred. Advertising expense totaled \$1,374 and \$115,836 for the years ended May 31, 2013 and 2012, respectively.

**Income taxes** – The Hospital is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the Hospital qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The Hospital recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Hospital had no uncertain tax positions at May 31, 2013 or 2012.

**Financial statement reclassifications** – Certain 2012 financial information has been reclassified to conform to the 2013 presentation. These reclassifications did not affect the excess of revenues over expenses, total assets, total liabilities, or total net assets.

# **HOLY CROSS HOSPITAL AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

### **Note 1 – Nature of Organization and Summary of Significant Accounting Policies (continued)**

**Subsequent events** – Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Hospital recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Hospital's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the date the consolidated financial statements were available to be issued.

The Company has evaluated subsequent events through October 22, 2013, which is the date the consolidated financial statements were available to be issued.

### **Note 2 – Net Patient Service Revenue**

**Arrangements with third-party payors** – The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare** – Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services and defined capital, and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

**Medicaid** – Inpatient and outpatient services rendered to Medicaid program beneficiaries through October 31, 2010 are reimbursed under a cost reimbursement methodology. The Hospital was reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

The New Mexico Medicaid program implemented a new hospital outpatient payment reimbursement based on a simplified Medicare APC method effective November 1, 2010. The prospective payment system (OPPS) reimbursements were set to 100% of the Medicare standard rate. Under the new payment method cost reports will still be required, however cost report settlements are discontinued.

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

Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 13%, respectively, of the Hospital's net patient revenue for the year ended May 31, 2013, and 25% and 12%, respectively, of the Hospital's net patient revenue, for the year ended May 31, 2012.

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 3 – Assets Limited as to Use**

**Assets limited as to use** – The composition of assets limited as to use at May 31, 2013 and 2012 is set forth in the following table:

	2013	2012
Cash and cash equivalents	\$ 388,264	\$ 232,660
Certificates of deposit	-	100,604
Equity securities	1,449,794	2,538,268
Mutual funds	537,380	556,078
Corporate bonds	99,875	90,625
	<u>2,475,313</u>	<u>3,518,235</u>
Internally designated for nursing scholarships		
Certificates of deposit	<u>28,238</u>	<u>30,165</u>
Total assets limited as to use	<u><u>\$ 2,503,551</u></u>	<u><u>\$ 3,548,400</u></u>

**Note 4 – Investments**

The cost and estimated fair values of investments included in assets limited as to use at May 31, 2013 and 2012 are as follows:

	2013	
	Cost	Fair Value
Equity securities	\$ 1,152,633	\$ 1,449,794
Mutual funds	488,633	537,380
Certificates of deposit	28,238	28,238
Corporate bonds	<u>100,000</u>	<u>99,875</u>
Total assets limited as to use	<u><u>\$ 1,769,504</u></u>	<u><u>\$ 2,115,287</u></u>

	2012	
	Cost	Fair Value
Equity securities	\$ 2,222,274	\$ 2,538,268
Mutual funds	472,833	556,078
Certificates of deposit	130,769	130,769
Corporate bonds	<u>103,000</u>	<u>90,625</u>
Total assets limited as to use	<u><u>\$ 2,928,876</u></u>	<u><u>\$ 3,315,740</u></u>

# **HOLY CROSS HOSPITAL AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 4 – Investments (continued)**

**Investment income** – Investment income from cash and cash equivalents, short-term investment and assets limited as to use is comprised of the following for the years ending May 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 119,585	\$ 138,949
Realized gains	<u>617,186</u>	<u>388,249</u>
Investment income	<u>\$ 736,771</u>	<u>\$ 527,198</u>
Net unrealized (losses) gains	<u>\$ (38,827)</u>	<u>\$ (491,022)</u>

### **Note 5 – Fair Value Measurements**

Management uses a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Basis of Fair Value Measurement –

**Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

**Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3** Unobservable inputs for the asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Hospital has no Level 3 investments. In addition, the Hospital had no transfers between levels during the year ended May 31, 2013 and 2012.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at May 31, 2013 and 2012.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 5 – Fair Value Measurements (continued)**

Mutual funds are valued at the net asset value (NAV) of shares held by the Hospital at year end using prices quoted by the relevant pricing agent.

Corporate bonds are valued at the closing price reported in the active market in which the bond is traded.

The following table discloses by level, the fair value hierarchy, of the Plan's assets at fair value as of May 31, 2013 and 2012:

	Balance at May 31, 2013	Level 1	Level 2
Equity securities	\$ 1,449,794	\$ 1,449,794	\$ -
Mutual funds	537,380	537,380	-
Corporate bonds	99,875	-	99,875
Total investments at fair value	<u>\$ 2,087,049</u>	<u>\$ 1,987,174</u>	<u>\$ 99,875</u>
	Balance at May 31, 2012	Level 1	Level 2
Equity securities	\$ 2,538,268	\$ 2,538,268	\$ -
Mutual funds	556,078	556,078	-
Corporate bonds	90,625	-	90,625
Total investments at fair value	<u>\$ 3,184,971</u>	<u>\$ 3,094,346</u>	<u>\$ 90,625</u>



# **HOLY CROSS HOSPITAL AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 6 – Summarized Information of Investee Accounted for on the Equity Method**

The following table provided a condensed income statement and balance sheet of the PHO as of and for the years ending May 31, 2013 and 2012:

	2013	2012
Condensed income statement information		
Operating revenues	\$ 147,316	\$ 115,846
Net (loss) income	<u>\$ (54,563)</u>	<u>\$ 38,968</u>
 The Hospital's equity in net (loss) income of affiliate	 <u>\$ (27,469)</u>	 <u>\$ 19,484</u>
Condensed balance sheet information		
Total assets	\$ 50,619	\$ 105,402
Liabilities	<u>155</u>	<u>159</u>
Equity	<u>50,464</u>	<u>105,243</u>
Total liabilities and equity	<u>\$ 50,619</u>	<u>\$ 105,402</u>
 The Hospital's equity in net assets of affiliate	 <u>\$ 25,232</u>	 <u>\$ 52,701</u>

### **Note 7 – Property and Equipment**

Property and equipment consists of the following at May 31:

	2013	2012
Equipment	\$ 22,827,125	\$ 20,876,868
Equipment under capital lease obligations	1,351,263	1,902,197
Leasehold improvements	3,192,780	3,525,978
Land and improvements	2,487,338	2,487,338
Buildings	13,416,725	12,588,195
Construction in progress	<u>1,078,226</u>	<u>1,618,281</u>
	44,353,457	42,998,857
Accumulated depreciation and amortization	<u>(23,942,914)</u>	<u>(21,081,902)</u>
Property and equipment, net	<u>\$ 20,410,543</u>	<u>\$ 21,916,955</u>

The Hospital leases certain equipment under agreements that are classified as capital leases. Amortization of assets under capital leases is included in depreciation and amortization expense in the accompanying financial statements. Accumulated amortization of the leased equipment at May 31, 2013 and 2012 was approximately \$466,720 and \$560,000, respectively.

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 7 – Property and Equipment (continued)**

Depreciation and amortization expense for the years ended May 31, 2013 and 2012 amounted to \$2,865,103 and \$2,807,343, respectively. Construction in progress at May 31, 2013 and 2012 consists primarily of software customization projects, and planned hospital expansion projects.

**Note 8 – Long-Term Debt**

Long-term debt consisted of the following at May 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Non-interest bearing note payable, with monthly payments of \$619 through March 2014, collateralized by approximately 1.1 acres of land.	\$ 6,190	\$ 14,238
Variable interest rate revolving line of credit, maximum commitment equal to limited use investments less outstanding loan balances.	<u>401,139</u>	<u>1,182,434</u>
Total long-term debt	407,329	1,196,672
Current portion	<u>(407,329)</u>	<u>(1,189,863)</u>
Long-term debt, net of current portion	<u><u>\$ -</u></u>	<u><u>\$ 6,809</u></u>

Aggregate maturities on long-term debt at May 31, 2013 are as follows:

	<u>Aggregate Maturities</u>
Year ending May 31: 2014	<u>\$ 407,329</u>
	<u><u>\$ 407,329</u></u>

During 2007, the Hospital entered into a Note Payable for the purchase of a parcel of land for the location of a clinic in Peñasco, New Mexico, totaling approximately 1.1 acres. The Note Payable is secured by the underlying parcel.

# **HOLY CROSS HOSPITAL AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 9 – Capital Leases**

The future minimum lease payments require under the capital leases and the present value of the net minimum lease payments as of May 31, 2013, are as follows:

	Minimum Lease Payments
Year ending May 31:	
2014	\$ 376,376
2015	261,272
2016	261,272
2017	12,500
2018	12,500
Thereafter	12,500
Total minimum lease payments	936,420
Less: amount representing interest	(58,128)
Present value of net minimum lease payments	878,292
Current maturities of capital lease obligations	(341,014)
	<hr/>
Long-term capital lease obligations	\$ 537,278

### **Note 10 – Pension Plan**

In June 1998 a collective bargaining agreement was entered into by the Hospital and the Professional Performance Association, affiliated with District 1199 NM, National Union of Hospital and Health Care Employees, AFSCME AFL-CIO. As part of this agreement, a defined contribution pension plan (Plan) was established under Section 403(b) of the Internal Revenue Code as of that same date. This agreement expired as of May 31, 2002. On April 1, 2012, an amended collective bargaining agreement was entered into by the aforementioned parties.

Under the amended agreement, the Hospital agreed to match Plan contributions dollar for dollar, up to \$705 per fiscal year effective April 1, 2012, for participating employees who are members of the bargaining unit. For employees earning more than \$35,250 annually and who contribute at least \$705 annually, the Hospital will match dollar-for-dollar the employee's contribution up to 2% of the employee's annual compensation not to exceed \$2,500 annually.

A similar contribution will be made for participating employees who are not members of the bargaining unit. These employees receive a discretionary contribution which is five to ten percent of their annual salaries determined annually by management.

# HOLY CROSS HOSPITAL AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Note 10 – Pension Plan (continued)

The contribution allocated to participating employees who are members of the bargaining unit will be based on a service weighted formula where each year of service shall earn one point. Each eligible non-per diem employee over the age of 21 shall receive a distribution based on the ratio of her/his points divided by the total points of all bargaining unit employees' times the total amount of the distribution. The contribution allocated to participating employees who are not members of the bargaining unit will be based on a simplified formula. All participants will vest in the Plan on a six-year graduated schedule but will be fully vested no later than their sixty-fifth birthday. The Hospital contributes to the pension plan on a bi-weekly basis, and no amounts were due the pension plan at May 31, 2013 and 2012.

### Note 11 – Charity Care

The Hospital provides charity care to patients who are financially unable to pay for health care services they receive. The Hospital's policy is not to pursue collection of amounts determined to qualify as charity care. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The following information measures the level of charity care provided during the years ended:

	2013	2012
Charges foregone, based on established rates	\$ 2,493,063	\$ 3,864,892
Estimated costs and expenses incurred to provide charity care	1,146,809	1,872,293
Equivalent percentage of charity care charges foregone to total gross income	2.3%	3.3%

### Note 12 – Commitments and Contingencies

The Hospital has entered into an agreement with the County of Taos, New Mexico to pay for a new ambulance every two years in lieu of facility lease payments. The estimated total cost of the commitment over the two year period is approximately \$105,000, and is amortized over the two year period and recorded as rent expense.

## HOLY CROSS HOSPITAL AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### Note 12 – Commitments and Contingencies (continued)

The Hospital has various operating leases for buildings and equipment. Total expense approximated \$1,224,689 in 2013 and \$1,154,154 in 2012 for all operating leases. The following is a schedule by year of future minimum lease payments for the building and equipment under non-cancelable operating leases as of May 31, 2013 which have initial or remaining lease terms in excess of one year:

	Minimum Lease Payments
Year ending May 31:	
2014	\$ 451,437
2015	263,241
2016	169,702
2017	151,125
2018	147,300
Thereafter	<u>511,900</u>
Total minimum lease payments	<u>\$ 1,694,705</u>

**Labor agreements** – At May 31, 2013, 300 of the Hospital's 432 employees and at May 31, 2012, 265 of the Hospital's 479 employees work under collective bargaining agreements. All of the employees working under collective bargaining agreements which are set to expire on May 31, 2015.

**Employee health insurance** – The Hospital maintains a stop-loss agreement with an insurance company to limit its losses on individual claims related to group employee insurance. Under the current terms of this agreement, the Hospital's claims liability is limited to \$70,000 per employee per plan year, subject to an individual participant lifetime maximum of \$930,000. As of May 31, 2013 and 2012, the Hospital accrued employee insurance claims of \$298,409 and \$364,358, respectively, which are included in accounts payable in the accompanying consolidated balance sheets.

Stop-loss premiums and claims payments totaling \$1,906,798 and \$1,705,288 were expended during the years ended May 31, 2013 and 2012, respectively, and are included in the employee benefits expense in the accompanying consolidated statement of operations.

**Professional liability insurance** – The Hospital maintains claims-made commercial insurance related to professional and general liability risks. The first level coverage includes losses of \$1,000,000 per occurrence subject to a \$3,000,000 aggregate loss. The second level excess coverage further covers individual losses up to \$5,000,000. The Hospital maintained a deductible of \$150,000 on these policies. The current policies expire June 1, 2014. The annual premium for these policies is included in insurance expense in the accompanying consolidated financial statements, and approximated \$1,107,115 in 2013 and \$1,284,550 in 2012. In prior years, the Hospital maintained similar claims-made policies, and certain claims as discussed below are covered under those policies.

## HOLY CROSS HOSPITAL AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### **Note 12 – Commitments and Contingencies (continued)**

In the ordinary course of business, claims alleging malpractice and other matters are filed against the Hospital. In addition, further claims may be filed for incidents that have occurred, including some of which the Hospital is not presently aware. The claims are in various stages of processing, and some may ultimately be brought to trial. The Hospital has recorded reserves, which are recorded net of any underlying insurance coverage, for various asserted and unasserted claims based on management's best estimate of the probable outcome of those matters. Such reserves may change in future periods as more information becomes available to management.

**Workers' compensation insurance** – The Hospital is insured under the New Mexico Hospital Workers' Compensation Group for the purpose of providing insurance coverage for workers' compensation. The policy is a retrospectively rated policy whose premiums accrue based on the ultimate cost of the experience of a group of participating health care entities. The Hospital expensed approximately \$299,000 and \$237,400 in workers' compensation premiums during 2013 and 2012, respectively. Such amounts are included in employee benefits expense in the accompanying consolidated statement of operations.

**Cost report settlements** – The Hospital's Medicare cost reports have been final settled for fiscal years through May 31, 2008, and Medicaid cost reports have been final settled for fiscal years through May 31, 2011. In management's opinion, the estimated third-party settlement receivable of \$670,896 at May 31, 2013 and payable of \$436,747 at 2012, respectively, was adequate to provide for the cost of settling all cost reports. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimates are continually monitored and reviewed, and as settlements are made or more information is available to improve estimates, differences are reflected in current operations.

**Sole community provider funding** – The Hospital receives Sole Community Provider Funding to compensate the Hospital for providing health care to the indigent population in Taos County. The funding is subject to annual reviews and approvals by Taos County as well as the State of New Mexico Human Services Department. In fiscal years 2013 and 2012, the Hospital recognized Sole Community Provider Funding of \$2,402,934 and \$6,611,013, respectively. Such amounts are reported as Net Patient Service Revenue in the accompanying consolidated financial statements. Management expects to receive a similar amount of funding in fiscal year 2014 as in fiscal year 2013, however, funding in periods beyond calendar year-end 2013 is uncertain. This funding has been essential to the Hospital's financial results and as a result of the decline in funding and uncertainty over future funding, management has implemented a variety of measures aimed at reducing costs and enhancing revenue. See also Note 15.

# **HOLY CROSS HOSPITAL AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 13 – Concentrations of Credit Risk**

The Hospital provides credit, in the normal course of business, to patients located primarily in Taos, New Mexico, and their respective insurance companies. The Hospital performs ongoing credit evaluations of its patients and their respective insurance companies and does not require collateral with the extension of credit.

The mix of receivables from patients and third-party payors was as follows:

	<u>2013</u>	<u>2012</u>
Commercial and other	31%	29%
Self-pay	32%	32%
Medicare	25%	25%
Medicaid	<u>12%</u>	<u>14%</u>
	<u>100%</u>	<u>100%</u>

### **Note 14 – Functional Expense Classification**

In recording the activities of the Hospital, expenses are specifically tracked or allocated on the basis of periodic time and expense studies, and recorded in the following functional categories for the year ended May 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 43,650,468	\$ 44,810,171
Management general	12,850,707	14,610,546
Fundraising	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 56,501,175</u>	<u>\$ 59,420,717</u>

### **Note 15 – Subsequent Event**

Subsequent to May 31, 2013 and effective September 13, 2013, management implemented a reduction in force, which management estimates will save approximately \$1.2 million in expenses on an annualized basis.

Also, subsequent to May 31, 2013 and to be made effective May 31, 2013 upon final agreement of the parties, the parties to the Taos Sports Medicine joint venture reached agreement on an intent to dissolve the joint venture. The transaction is not expected to trigger any financial obligations on the part of the Hospital that would require recognition of additional costs or liabilities. The impact to the fiscal year 2014 financial statements is not expected to be significant.

## **SUPPLEMENTARY INFORMATION**

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## REPORT OF INDEPENDENT AUDITORS ON CONSOLIDATING INFORMATION

To the Board of Directors  
Holy Cross Hospital and Subsidiaries  
Taos, New Mexico

We have audited the consolidated financial statements of Holy Cross Hospital, a division of Taos Health Systems, Inc., and subsidiaries (Hospital) as of and for the years ended May 31, 2013 and 2012, and our report thereon dated October 22, 2013, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information, referred to as supplementary information in the accompanying table of contents, is presented for purposes of additional analysis of the 2013 consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Moss Adams LLP*

Albuquerque, New Mexico  
October 22, 2013

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**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET**  
**MAY 31, 2013**

	ASSETS				
	Holy Cross Hospital	Taos Sports Medicine	Intercompany Eliminations	Noncontrolling Interest	Consolidated
Cash and cash equivalents	\$ 1,116,218	\$ 308,385	\$ -	\$ -	\$ 1,424,603
Short-term investments	321,307	-	-	-	321,307
Patient accounts receivable, net of allowance for doubtful accounts	6,770,515	120,685	-	-	6,891,200
Estimated third-party payor settlements	670,896	-	-	-	670,896
Other receivables	2,037,147	15,834	-	-	2,052,981
Prepaid expenses	1,218,857	17,981	-	-	1,236,838
Inventories	1,602,440	-	-	-	1,602,440
	13,737,380	462,885	-	-	14,200,265
Physician Receivables	25,000	-	-	-	25,000
Assets limited as to use	2,503,551	-	-	-	2,503,551
Equity in net assets of affiliates	320,927	-	(295,695)	-	25,232
Property and equipment, net	20,268,681	141,862	-	-	20,410,543
Other Assets	-	18,249	-	-	18,249
Total assets	\$ 36,855,539	\$ 622,996	\$ (295,695)	\$ -	\$ 37,182,840
	LIABILITIES AND NET ASSETS				
Accounts payable	\$ 3,706,021	\$ 16,612	\$ -	\$ -	\$ 3,722,633
Accrued expenses	2,221,450	71,556	-	-	2,293,006
Current portion of long-term debt	407,329	-	-	-	407,329
Current portion of capital lease obligations	259,573	81,441	-	-	341,014
Estimated third-party payor settlements	-	-	-	-	-
	6,594,373	169,609	-	-	6,763,982
Capital lease obligations, net of current portion	537,278	-	-	-	537,278
Total liabilities	7,131,651	169,609	-	-	7,301,260
COMMITMENTS AND CONTINGENCIES (Note 12)					
Net Assets					
Unrestricted	28,774,081	453,387	(295,695)	(157,692)	28,774,081
Temporarily restricted	949,807	-	-	-	949,807
Total Holy Cross Hospital and Subsidiary net assets	29,723,888	453,387	(295,695)	(157,692)	29,723,888
Noncontrolling interest in T S M subsidiary	-	-	-	157,692	157,692
Total net assets	29,723,888	453,387	(295,695)	-	29,881,580
Total liabilities and net assets	\$ 36,855,539	\$ 622,996	\$ (295,695)	\$ -	\$ 37,182,840

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
**MAY 31, 2013**

	Holy Cross Hospital	Taos Sports Medicine	Intercompany Eliminations	Noncontrolling Interest	Consolidated
UNRESTRICTED REVENUES, gains and other support					
Net patient service revenue	\$ 53,151,352	\$ 1,634,894	\$ -	\$ -	\$ 54,786,246
Provision for uncollectible accounts	5,521,552	59,108	-	-	5,580,660
Net patient service revenue less provision for uncollectible accounts	47,629,800	1,575,786	-	-	49,205,586
Other revenue	2,619,420	(20,502)	(81,720)	-	2,517,198
Net assets released from restrictions used for operations	385,524	-	-	-	385,524
Total unrestricted revenues, gains and other support	50,634,744	1,555,284	(81,720)	-	52,108,308
EXPENSES					
Salaries and wages	24,375,194	687,471	-	-	25,062,665
Purchased services	7,033,369	150,067	-	-	7,183,436
Supplies	7,003,006	36,741	-	-	7,039,747
Employee benefits	4,751,659	-	-	-	4,751,659
Depreciation and amortization	2,742,519	122,584	-	-	2,865,103
Professional fees	2,912,222	-	-	-	2,912,222
Insurance	1,205,914	92,633	-	-	1,298,547
Repairs and maintenance	1,376,720	65,204	-	-	1,441,924
Management fees	1,093,225	81,720	(81,720)	-	1,093,225
Leases and rentals	1,108,520	116,169	-	-	1,224,689
Grants and scholarships	701,134	5,547	-	-	706,681
Utilities	825,506	27,613	-	-	853,119
Marketing and advertising	96,591	2,064	-	-	98,655
Recruiting	106,755	-	-	-	106,755
Travel	80,222	3,526	-	-	83,748
Interest	71,660	5,678	-	-	77,338
Other	1,016,959	146,662	-	-	1,163,621
Total expenses	56,501,175	1,543,679	(81,720)	-	57,963,134
OPERATING (LOSS) INCOME	(5,866,431)	11,605	-	-	(5,854,826)
OTHER INCOME (EXPENSES)					
Earnings from subsidiaries	24,129	-	(24,129)	-	-
Investment income	736,771	-	-	-	736,771
Other (expenses) income	(21,863)	13,842	-	-	(8,021)
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES	(5,127,394)	25,447	(24,129)	-	(5,126,076)
NET UNREALIZED LOSSES ON ASSETS LIMITED AS TO USE OTHER THAN TRADING SECURITIES	(38,827)	-	-	-	(38,827)
NET ASSETS RELEASED FROM RESTRICTIONS	101,531	-	-	-	101,531
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(5,064,690)	25,447	(24,129)	-	(5,063,372)
NONCONTROLLING INTEREST IN T S M SUBSIDIARY'S NET INCOME	-	-	-	(1,318)	(1,318)
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS ATTRIBUTED TO HOLY CROSS HOSPITAL AND SUBSIDIARIES	\$ (5,064,690)	\$ 25,447	\$ (24,129)	\$ (1,318)	\$ (5,064,690)

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**MAY 31, 2013**

	Holy Cross Hospital	Taos Sports Medicine	Intercompany Eliminations	Noncontrolling Interest	Consolidated
UNRESTRICTED NET ASSETS					
Unrestricted net assets, beginning of year	\$ 33,838,771	\$ 427,940	\$ (271,566)	\$ (156,374)	\$ 33,838,771
(Deficiency) excess of revenues over expenses	(5,127,394)	25,447	(24,129)	-	(5,126,076)
Net unrealized losses on assets limited as to use other than trading securities	(38,827)	-	-	-	(38,827)
Net assets released from restrictions	101,531	-	-	-	101,531
Noncontrolling interest in T S M subsidiary's net income	-	-	-	(1,318)	(1,318)
Increase (decrease) in unrestricted net assets	(5,064,690)	25,447	(24,129)	(1,318)	(5,064,690)
Unrestricted net assets, end of year	28,774,081	453,387	(295,695)	(157,692)	28,774,081
TEMPORARILY RESTRICTED NET ASSETS					
Temporarily restricted net assets, beginning of year	1,026,518	-	-	-	1,026,518
Restricted grant and donations	410,344	-	-	-	410,344
Net assets released from restrictions	(487,055)	-	-	-	(487,055)
Decrease in temporarily restricted net assets	(76,711)	-	-	-	(76,711)
Temporarily restricted net assets, end of year	949,807	-	-	-	949,807
NONCONTROLLING INTEREST in T S M SUBSIDIARY	-	-	-	157,692	157,692
NET ASSETS, end of year	\$ 29,723,888	\$ 453,387	\$ (295,695)	\$ -	\$ 29,881,580

**HOLY CROSS HOSPITAL AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**MAY 31, 2013**

	Holy Cross Hospital	Taos Sports Medicine	Intercompany Eliminations	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Decrease) increase in net assets	\$ (5,141,401)	\$ 25,447	\$ (24,129)	\$ (5,140,083)
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Provision for uncollectible accounts	5,521,552	59,108	-	5,580,660
Depreciation and amortization	2,742,519	122,584	-	2,865,103
Loss on sale of equipment	1,022	-	-	1,022
Net unrealized gain on investments other than trading	(38,827)	-	-	(38,827)
Gain on sale of assets limited as to use	(616,973)	-	-	(616,973)
Forgiveness of and Provision for bad debt on physician loans	(25,000)	-	-	(25,000)
Net income from PHO affiliate	27,469	-	-	27,469
Net income of T S M	(24,129)	-	24,129	-
Changes in assets and liabilities				
Patient accounts receivable	(4,709,662)	(62,572)	-	(4,772,234)
Inventories	58,549	(17,981)	-	40,568
Prepaid expenses	(67,474)	-	-	(67,474)
Other assets	278,048	7,031	-	285,079
Accounts payable	185,198	7	-	185,205
Accrued expenses	(778,310)	29,715	-	(748,595)
Deferred revenue	(104,291)	-	-	(104,291)
Estimated third-party payor settlements	(1,107,643)	-	-	(1,107,643)
Net cash (used in) provided by operating activities	(3,799,353)	163,339	-	(3,636,014)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of construction in progress	(925,172)	-	-	(925,172)
Purchase of property and equipment	(425,068)	(9,473)	-	(434,541)
Purchase of short-term investments	(2,203)	-	-	(2,203)
Proceeds from the sale of short term investments	2,700,499	-	-	2,700,499
Proceeds from the sale of assets limited as to use	3,021,325	-	-	3,021,325
Purchase of assets limited as to use	(1,320,676)	-	-	(1,320,676)
Net cash provided by (used in) investing activities	3,048,705	(9,473)	-	3,039,232
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Principal payments on long-term borrowings	(1,708,048)	-	-	(1,708,048)
Proceeds from issuance of long-term borrowings	918,705	-	-	918,705
Principal payments under capital lease obligations	(242,281)	(116,942)	-	(359,223)
Net assets used in financing activities	(1,031,624)	(116,942)	-	(1,148,566)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,782,272)	36,924	-	(1,745,348)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	2,898,490	271,461	-	3,169,951
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 1,116,218</u>	<u>\$ 308,385</u>	<u>\$ -</u>	<u>\$ 1,424,603</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>				
Cash payments for interest	<u>\$ 71,660</u>	<u>\$ 5,678</u>	<u>\$ -</u>	<u>\$ 77,338</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING activities and financing activities</b>				
CIP placed in service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>