

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

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

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

**December 31, 2018 and 2017**

**Contents**

**Independent Auditor’s Report .....1**

**Consolidated Financial Statements**

Balance Sheets..... 3  
Statements of Operations..... 5  
Statements of Changes in Net Assets ..... 6  
Statements of Cash Flows ..... 7  
Notes to Financial Statements ..... 8

**Supplementary Information**

Consolidating Balance Sheet Information..... 22  
Consolidating Statement of Operations Information..... 24  
Consolidating Statement of Changes in Net Assets Information ..... 25

## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Northwest Colorado Visiting Nurse Association d/b/a Northwest Colorado Health and Affiliate (the Organization), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***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 audit 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.

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

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.

We believe that the audit evidence we have 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 the Organization as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 2 to the financial statements, in 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Supplementary Information**

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including consolidating information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**BKD, LLP**

Denver, Colorado  
July 25, 2019

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

## Consolidated Balance Sheets

December 31, 2018 and 2017

### Assets

	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,816,344	\$ 1,956,221
Patient accounts receivable, net of allowance; 2018 - \$259,074 and 2017 - \$315,590	1,005,267	803,278
Estimated amounts due from third-party payers Due from agencies	10,483	-
Prepaid expenses and other assets	660,336	574,392
	160,043	133,606
Total current assets	3,652,473	3,467,497
<b>Deposits</b>	26,279	40,679
<b>Beneficial Interest in Assets Held by Yampa Valley Community Foundation</b>	128,982	138,548
<b>Property and Equipment, at Cost</b>		
Land	1,151,366	993,200
Buildings and building improvements	8,792,934	7,866,825
Furniture, equipment and vehicles	649,658	582,525
Construction in progress	-	31,038
	10,593,958	9,473,588
Less accumulated depreciation	3,511,523	3,225,784
	7,082,435	6,247,804
Total assets	\$ 10,890,169	\$ 9,894,528

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

**Consolidated Balance Sheets (continued)**

**December 31, 2018 and 2017**

**Liabilities and Net Assets**

	<u>2018</u>	<u>2017</u>
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 65,886	\$ 43,040
Accounts payable	307,511	203,272
Accrued payroll and benefits	887,351	830,091
Deferred revenue and assets held on behalf of others	<u>185,744</u>	<u>240,533</u>
Total current liabilities	<u>1,446,492</u>	<u>1,316,936</u>
<b>Long-term Debt</b>	<u>1,861,264</u>	<u>881,516</u>
Total liabilities	<u>3,307,756</u>	<u>2,198,452</u>
<b>Net Assets</b>		
Without donor restrictions		
Board-designated		
Special Projects Fund	89,214	95,545
Department of Local Affairs	-	600,000
Undesignated	<u>6,843,745</u>	<u>6,416,382</u>
Total net assets without donor restrictions	6,932,959	7,111,927
With donor restrictions	<u>649,454</u>	<u>584,149</u>
Total net assets	<u>7,582,413</u>	<u>7,696,076</u>
Total liabilities and net assets	<u>\$ 10,890,169</u>	<u>\$ 9,894,528</u>

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

## Consolidated Statements of Operations Years Ended December 31, 2018 and 2017

	2018	2017
<b>Revenues, Gains and Other Support Without Donor Restrictions</b>		
Patient service revenue, net of contract allowance; 2018 - \$1,092,326 and 2017 - \$1,058,869	\$ 6,872,350	\$ 6,056,371
Agency contracts and grants	5,173,475	5,182,875
Contributions	788,177	755,529
Other income	71,166	69,796
In-kind contributions	82,985	101,080
Net assets released from restrictions used for operations	916,704	774,814
Total revenues, gains and other support without donor restrictions	13,904,857	12,940,465
<b>Expenses</b>		
Salaries and benefits	9,521,437	8,852,291
Contract and professional services	828,790	759,962
Supplies	714,123	432,640
Other operating expenses	1,764,029	1,659,305
Provision for uncollectible accounts	853,876	858,609
Depreciation and amortization	282,965	243,696
Interest expense	61,116	35,808
In-kind expenses	82,985	101,080
Total expenses	14,109,321	12,943,391
<b>Operating Loss</b>	(204,464)	(2,926)
<b>Other Income</b>		
Change in beneficial interest in net assets held by Yampa Valley Community Foundation	(9,566)	17,814
Rental income, net of expenses	18,315	18,783
Investment income	16,747	9,764
Total other income	25,496	46,361
<b>Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Assets Without Donor Restrictions</b>	\$ (178,968)	\$ 43,435

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

**Consolidated Statements of Changes in Net Assets  
Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Net Assets Without Donor Restrictions</b>		
Excess (deficiency) of revenues over expenses and increase (decrease) in net assets without donor restrictions	\$ (178,968)	\$ 43,435
<b>Net Assets With Donor Restrictions</b>		
Contributions received	982,009	872,213
Net assets released from restrictions	(916,704)	(774,814)
Increase in net assets with donor restrictions	65,305	97,399
<b>Change in Net Assets</b>	(113,663)	140,834
<b>Net Assets, Beginning of Year</b>	7,696,076	7,555,242
<b>Net Assets, End of Year</b>	\$ 7,582,413	\$ 7,696,076

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

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating Activities</b>		
Change in net assets	\$ (113,663)	\$ 140,834
Items not requiring cash		
Depreciation and amortization	282,965	243,696
Depreciation included in rental expense	-	8,319
Change in beneficial interest in assets held by Yampa Valley Community Foundation	9,566	(17,814)
Provision for uncollectible accounts	853,876	858,609
Changes in		
Patient accounts receivable, net	(1,055,865)	(1,086,925)
Estimated amounts due from third-party payers	(10,483)	48,385
Due from agencies	(85,944)	(26,448)
Prepaid expenses, other assets and deposits	(12,037)	(70,693)
Accounts payable	104,239	(604,045)
Accrued payroll and benefits	57,260	104,918
Deferred revenue and assets held on behalf of others	(54,789)	(79,122)
	<u>(24,875)</u>	<u>(480,286)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(1,114,051)	(44,070)
	<u>(1,114,051)</u>	<u>(44,070)</u>
<b>Financing Activities</b>		
Principal payments on long-term debt	(57,951)	(40,941)
Proceeds from issuance of long-term debt	1,057,000	-
	<u>999,049</u>	<u>(40,941)</u>
<b>Decrease in Cash and Cash Equivalents</b>	(139,877)	(565,297)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,956,221</u>	<u>2,521,518</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,816,344</u>	<u>\$ 1,956,221</u>
<b>Supplemental Cash Flow Information</b>		
Interest paid	<u>\$ 61,116</u>	<u>\$ 35,808</u>

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

## **Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

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

#### ***Nature of Operations***

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

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

#### ***Principles of Consolidation and Basis of Accounting***

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

#### ***Public Health/Community Care***

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

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

## **Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

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

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

### ***Home Health***

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

### ***Hospice***

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

### ***Assisted Living***

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

### ***Supporting Services***

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

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

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### ***Use of Estimates***

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

### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash equivalents consisted primarily of short-term certificates of deposit through the Certificate of Deposit Account Registry Service (CDARS) program.

At December 31, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$530,118.

### ***Patient Accounts Receivable***

The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are ordinarily due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on organization policy and specific circumstances of the patient or account.

### ***Property and Equipment***

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

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

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

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

## **Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

### ***Long-lived Asset Impairment***

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

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

### ***Debt Issuance Costs***

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the effective interest method and are netted with notes payable and long-term debt.

### ***Deferred Revenue and Assets Held on Behalf of Others***

Deferred revenue includes grant revenues received which have not been used for their specific purpose.

### ***Net Assets with Donor Restrictions***

Net assets with donor restrictions are those whose use by the Organization has been limited by donors to a specific time period or purpose or funds held on behalf of other partner organizations, which have not been distributed for their specific purpose.

### ***Net Patient Service Revenue***

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

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

## **Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional. Donor-restricted conditional gifts in which the condition and restriction is met in the period the gift is received are reported as revenue and net assets without donor restrictions.

### ***In-kind Contributions***

In-kind contributions of goods are recorded at fair value at the date of donation. Contribution revenue recognized from contributions of goods was \$75,501 and \$101,080 during 2018 and 2017, respectively.

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

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

### ***Income Taxes***

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

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

### ***Liability Claims***

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

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

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### **Reclassifications**

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

### **Subsequent Events**

Subsequent events have been evaluated through July 25, 2019, which is the date the financial statements were available to be issued.

### **Note 2: Change in Accounting Principle**

In 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

#### **Balance Sheet**

The balance sheet distinguishes between two new classes of net assets — those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets — unrestricted, temporarily restricted and permanently restricted.

#### **Statement of Operations**

Expenses are reported by both nature and function in one location.

Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

#### **Notes to the Financial Statements**

Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the balance sheet.

Amounts and purposes of governing board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

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

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### **Note 3: Beneficial Interest in Assets of Yampa Valley Community Foundation**

The Organization has transferred assets to Yampa Valley Community Foundation (the Foundation) and retained a beneficial interest in those assets. In addition, the Organization is the beneficiary of donations made to the Foundation on the Organization's behalf. The beneficial interest consists of two funds. The funds are without donor restrictions and are for the purpose of funding ongoing operations of the Organization. The Foundation may distribute earnings to the Organization of the funds based on a formula and the remaining amount is included in board-designated endowment funds. Transfers of assets and earnings between the Organization and the Foundation are recognized as increases or decreases in the beneficial interest. The cumulative amount of the retained beneficial interest included in the balance sheets was \$128,982 and \$138,548 at December 31, 2018 and 2017, respectively.

### **Note 4: Net Patient Service Revenue**

The Organization is approved for both Medicare and Medicaid reimbursement purposes. The Organization also has agreements with third-party payers that provide for payments to the Organization at amounts different from its established rates. These payment arrangements include:

*Medicare.* Covered FQHC services rendered to Medicare program beneficiaries are paid under a prospective payment system (PPS). Medicare payments, including patient coinsurance, are paid based on the lesser of the Organization's actual charge or the applicable PPS rate. Services not covered under the FQHC benefit are paid based on established fee schedules. Home health services are reimbursed under a prospective payment methodology with no settlement made on the difference between the paid rates and actual costs. Hospice services provided by the Organization are reimbursed on a fee for service basis subject to certain limitations, and no additional settlement will be made on the difference between the per diem rates paid and actual costs.

*Medicaid.* Covered FQHC services rendered to Medicaid program beneficiaries are paid based on a prospective reimbursement methodology with a final settlement determined after submission of an annual cost report. The Organization is reimbursed a set encounter rate for all services provided under the plan. Home health services rendered to Medicaid program beneficiaries are reimbursed prospectively with no settlement made on the difference between the interim rates paid and actual costs.

Approximately 60% and 61% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2018 and 2017, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is possible that recorded estimates will change materially in the near term.

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

**Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

**Note 5: Concentration of Credit Risk**

The Organization grants credit without collateral to its patients. The mix of accounts receivable from patients and third-party payers was:

	<b>2018</b>	<b>2017</b>
Medicare	44%	49%
Medicaid	29%	19%
Other third-party payers	18%	16%
Private pay	9%	16%
	100%	100%

**Note 6: Long-term Debt**

	<b>2018</b>	<b>2017</b>
Note payable (A)	\$ 904,559	\$ 947,599
Note payable (B)	672,716	-
Note payable (C)	369,373	-
Less unamortized debt issuance costs	(19,498)	(23,043)
Less current maturities	(65,886)	(43,040)
	\$ 1,861,264	\$ 881,516

- (A) In 2014, the Organization obtained a note payable in the original amount of \$1,082,474 with a due date of June 1, 2034; monthly payments of \$6,403 each, including interest at a fixed rate of 3.65%; secured by the Organization's property. The note payable agreement requires the Organization to comply with certain covenants. Unamortized debt issuance costs were \$19,498 and \$23,043 at December 31, 2018 and 2017, respectively.
- (B) In 2018, the Organization obtained a note payable in the original amount of \$682,000 with a due date of March 27, 2048; monthly payments of \$3,063 each, including interest at a fixed rate of 3.50%; secured by the Organization's property.
- (C) In 2018, the Organization obtained a note payable in the original amount of \$375,000 with a due date of March 15, 2048; monthly payments of \$1,632 each, including interest at a fixed rate of 3.25%; secured by the Organization's property.

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

**Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

Aggregate annual maturities of long-term debt at December 31, 2018:

2019	\$	65,886
2020		68,278
2021		70,758
2022		73,328
2023		75,991
Thereafter		<u>1,592,407</u>
	<u>\$</u>	<u>1,946,648</u>

**Note 7: Net Assets With Donor Restrictions**

***Net Assets with Donor Restrictions***

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose		
Choose When Program	\$ -	\$ 195,243
Public Health	127,829	151,273
Community Health Center	267,229	85,467
Administration and other	188,551	81,137
Home Health and Hospice	<u>65,845</u>	<u>71,029</u>
	<u>\$ 649,454</u>	<u>\$ 584,149</u>

***Net Assets Released from Restrictions***

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

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished		
Choose When Program	\$ 195,243	\$ 25,377
Public Health	180,015	100,018
Community Health Center	239,294	353,557
Administration	167,006	169,491
Home Health and Hospice	<u>135,146</u>	<u>126,371</u>
	<u>\$ 916,704</u>	<u>\$ 774,814</u>
Total restrictions released		

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

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### Note 8: Net Assets Without Donor Restrictions

The Organization's governing board has designated, from net assets without donor restrictions of \$753,090, net assets for the following purposes as of December 31:

	2018	2017
Board-designated special projects fund	\$ 89,214	\$ 95,545
Board-designated Department of Local Affairs	-	600,000
Total	\$ 89,214	\$ 695,545

### Note 9: Liquidity and Availability

The Organization's financial assets available within one year of the balance sheet date for general expenditure are:

	2018
<b>Financial Assets at Year-end</b>	
Cash and cash equivalents	\$ 1,816,344
Patient accounts receivable, net	1,005,267
Estimated amounts due from third-party payers	10,483
Due from agencies	660,336
Interest in assets held by Yampa Valley Community Foundation	128,982
Total financial assets	3,621,412
<b>Less Amounts Not Available to be Used Within One Year</b>	
Board-designated with liquidity horizons greater than one year	89,214
Donor restricted with liquidity horizons greater than one year	649,454
Financial assets not available to be used within one year	867,650
Financial assets available to meet general expenditures within one year	\$ 2,753,762

The Organization has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. Certain board-designated assets are designated for future capital expenditures and an operating reserve. These assets limited to use, which are more fully described in Notes 1 and 8, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

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

## Notes to Consolidated Financial Statements December 31, 2018 and 2017

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

### Note 10: Classification of Functional Expenses

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

	2018							
	Health Care Services				Support Services			
	Public Health	Home Services	Community Health Center	The Haven	Total	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,908,905	\$ 1,981,179	\$ 3,691,936	\$ 407,795	\$ 7,989,815	\$ 1,523,011	\$ 8,611	\$ 9,521,437
Contract and professional services	34,857	291,305	373,928	-	700,090	128,700	-	828,790
Supplies	179,605	75,248	348,170	44,479	647,502	51,915	14,706	714,123
Other operating expenses	272,881	222,033	203,762	3,680	702,356	833,864	227,809	1,764,029
Provision for uncollectible accounts	81,097	270,396	511,260	(8,877)	853,876	-	-	853,876
Depreciation and amortization	-	-	-	-	-	282,965	-	282,965
Interest expense	-	28	-	-	28	61,088	-	61,116
In-kind expenses	57,449	-	-	2,014	59,463	23,522	-	82,985
Total expenses	<u>\$ 2,534,794</u>	<u>\$ 2,840,189</u>	<u>\$ 5,129,056</u>	<u>\$ 449,091</u>	<u>\$ 10,953,130</u>	<u>\$ 2,905,065</u>	<u>\$ 251,126</u>	<u>\$ 14,109,321</u>
	2017							
	Health Care Services				Support Services			
	Public Health	Home Services	Community Center	The Haven	Total	General and Administrative	Fundraising	Total
Total expenses	<u>\$ 2,637,670</u>	<u>\$ 2,526,465</u>	<u>\$ 4,612,465</u>	<u>\$ 801,792</u>	<u>\$ 10,578,392</u>	<u>\$ 2,142,182</u>	<u>\$ 222,817</u>	<u>\$ 12,943,391</u>

### Note 11: Employee Retirement Plan

The Organization has a 403(b) retirement savings plan (the Plan) covering all employees. Employees are immediately eligible to make elective deferrals to the Plan. Employees are immediately vested 100% in all contributions. The Plan allows the employer to vary the amount of the employer contributions during the plan year, and the Organization's profit-sharing contributions are discretionary as determined by the Organization's Board of Directors. During 2018 and 2017, the Organization elected to make matching contributions of 100% of employees' salary deferral amounts on the first 3% of employees' compensation. For the years ended December 31, 2018 and 2017, the Organization had total retirement plan contribution expenses of \$164,195 and \$145,610, respectively.

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

## Notes to Consolidated Financial Statements

December 31, 2018 and 2017

### Note 12: Disclosures About Fair Values of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

#### Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	2018			
	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by Yampa Valley Community Foundation	\$ 128,982	\$ -	\$ 128,982	\$ -

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

**Notes to Consolidated Financial Statements  
December 31, 2018 and 2017**

	2017			
	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Beneficial interest in assets held by Yampa Valley Community Foundation	\$ 138,548	\$ -	\$ 138,548	\$ -

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

***Beneficial Interest in Assets Held by Yampa Valley Community Foundation***

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

**Note 13: Letter of Credit**

The Organization maintains a letter of credit with a financial institution in the amount of \$28,248 that will mature on May 16, 2020. Interest accrues at a fixed rate of 3.85% on any outstanding balances.

The letter of credit is secured by certificates of deposit held with the financial institution. The letter of credit is maintained to meet unemployment coverage requirements with the State of Colorado. At December 31, 2018, there were no amounts outstanding.

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

## **Notes to Consolidated Financial Statements**

**December 31, 2018 and 2017**

### **Note 14: Significant Estimates and Concentrations**

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

#### ***Allowances for Net Patient Revenue Adjustments***

Estimates of allowances for adjustments included in net patient revenues are described in Notes 1 and 4.

#### ***Professional Liability Coverage and Claims***

The Council pays fixed premiums for annual professional liability insurance coverage under an occurrence based policy while the Company pays premiums under a claims-made policy. There were no claims outstanding at December 31, 2018 and the Organization is not aware of any unasserted claims or unreported incidents that are expected to exceed malpractice insurance coverage limits.

#### ***Self-insurance***

The Organization has a partially self-insured plan for employee health insurance benefits which is managed by a third-party administrator. The Organization makes regular payments to the plan to pay estimated claims. The Organization has purchased insurance that limits its exposure for individual claims and that limits its aggregate exposure to \$35,000 per covered person, per year. The liability on the plan at December 31, 2018 and 2017 was \$178,225 and \$159,245, respectively, and is included in accrued payroll and benefits on the balance sheets.

## **Supplementary Information**

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

## Consolidating Balance Sheet Information

December 31, 2018

### Assets

	Northwest Colorado VNA	The Haven	Eliminating Entry	Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,713,036	\$ 103,308	\$ -	\$ 1,816,344
Patient accounts receivable, net of allowance of \$259,074	995,597	9,670	-	1,005,267
Estimated amounts due from third-party payers	10,483	-	-	10,483
Due from agencies	660,336	-	-	660,336
Prepaid expenses and other assets	160,823	5,460	(6,240)	160,043
Total current assets	<u>3,540,275</u>	<u>118,438</u>	<u>(6,240)</u>	<u>3,652,473</u>
<b>Deposits</b>	<u>26,279</u>	<u>-</u>	<u>-</u>	<u>26,279</u>
<b>Beneficial Interest in Assets Held by Yampa Valley Community Foundation</b>	<u>89,214</u>	<u>39,768</u>	<u>-</u>	<u>128,982</u>
<b>Property and Equipment, at Cost</b>				
Land	1,033,166	118,200	-	1,151,366
Buildings and buildings improvements	6,666,926	2,126,008	-	8,792,934
Furniture, equipment and vehicles	577,920	71,738	-	649,658
	8,278,012	2,315,946	-	10,593,958
Less accumulated depreciation	<u>2,501,004</u>	<u>1,010,519</u>	<u>-</u>	<u>3,511,523</u>
	<u>5,777,008</u>	<u>1,305,427</u>	<u>-</u>	<u>7,082,435</u>
Total assets	<u>\$ 9,432,776</u>	<u>\$ 1,463,633</u>	<u>\$ (6,240)</u>	<u>\$ 10,890,169</u>

**Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health and Affiliate  
Consolidating Balance Sheet Information (continued)  
December 31, 2018**

**Liabilities and Net Assets**

	<b>Northwest Colorado VNA</b>	<b>The Haven</b>	<b>Eliminating Entry</b>	<b>Total</b>
<b>Current Liabilities</b>				
Current maturities of long-term debt	\$ 65,886	\$ -	\$ -	\$ 65,886
Accounts payable	298,358	15,393	(6,240)	307,511
Accrued payroll and benefits	838,563	48,788	-	887,351
Deferred revenue and assets held on behalf of others	185,744	-	-	185,744
Total current liabilities	<u>1,388,551</u>	<u>64,181</u>	<u>(6,240)</u>	<u>1,446,492</u>
<b>Long-term Debt</b>	<u>1,861,264</u>	<u>-</u>	<u>-</u>	<u>1,861,264</u>
Total liabilities	<u>3,249,815</u>	<u>64,181</u>	<u>(6,240)</u>	<u>3,307,756</u>
<b>Net Assets</b>				
Without donor restrictions				
Board-designated				
Special Projects Fund	89,214	-	-	89,214
Undesignated	5,456,793	1,386,952	-	6,843,745
Total net assets without donor restrictions	<u>5,546,007</u>	<u>1,386,952</u>	<u>-</u>	<u>6,932,959</u>
With donor restrictions	<u>636,954</u>	<u>12,500</u>	<u>-</u>	<u>649,454</u>
Total net assets	<u>6,182,961</u>	<u>1,399,452</u>	<u>-</u>	<u>7,582,413</u>
Total liabilities and net assets	<u>\$ 9,432,776</u>	<u>\$ 1,463,633</u>	<u>\$ (6,240)</u>	<u>\$ 10,890,169</u>

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

**Consolidating Statement of Operations Information  
Year Ended December 31, 2018**

	Northwest Colorado VNA	The Haven	Eliminating Entry	Total
<b>Unrestricted Revenues and Other Support</b>				
Patient service revenue, net of contract allowance of \$1,092,326	\$ 6,213,449	\$ 658,901	\$ -	\$ 6,872,350
Agency contracts and grants	5,241,341	-	(67,866)	5,173,475
Contributions	776,092	82,464	(70,379)	788,177
Other income	65,139	16,325	(10,298)	71,166
In-kind contributions	75,501	7,484	-	82,985
Net assets released from restrictions used for operations	916,704	-	-	916,704
	<u>13,288,226</u>	<u>765,174</u>	<u>(148,543)</u>	<u>13,904,857</u>
Total unrestricted revenues and other support				
<b>Expenses</b>				
Salaries and benefits	8,953,358	568,079	-	9,521,437
Contract and professional services	903,954	3,000	(78,164)	828,790
Supplies	658,979	55,144	-	714,123
Other operating expenses	1,724,948	109,460	(70,379)	1,764,029
Provision for uncollectible accounts	862,753	(8,877)	-	853,876
Depreciation and amortization	227,113	55,852	-	282,965
Interest expense	61,116	-	-	61,116
In-kind expenses	75,501	7,484	-	82,985
	<u>13,467,722</u>	<u>790,142</u>	<u>(148,543)</u>	<u>14,109,321</u>
Total expenses				
<b>Operating Loss</b>	<u>(179,496)</u>	<u>(24,968)</u>	<u>-</u>	<u>(204,464)</u>
<b>Other Income (Loss)</b>				
Change in beneficial interest in net assets held by Yampa Valley Community Foundation	(6,331)	(3,235)	-	(9,566)
Rental income, net of expenses	18,315	-	-	18,315
Investment income	16,747	-	-	16,747
	<u>28,731</u>	<u>(3,235)</u>	<u>-</u>	<u>25,496</u>
Total other income (loss)				
<b>Excess (Deficiency) of Revenues Over Expenses and Increase (Decrease) in Net Assets Without Donor Restrictions</b>	<u>\$ (150,765)</u>	<u>\$ (28,203)</u>	<u>\$ -</u>	<u>\$ (178,968)</u>

**Northwest Colorado Visiting Nurse Association  
d/b/a Northwest Colorado Health and Affiliate  
Consolidating Statement of Changes in Net Assets Information  
Year Ended December 31, 2018**

	Northwest Colorado VNA	The Haven	Eliminating Entry	Total
<b>Net Assets Without Donor Restrictions</b>				
Excess (deficiency) of revenues over expenses and increase (decrease) in net assets without donor restrictions	\$ (150,765)	\$ (28,203)	\$ -	\$ (178,968)
<b>Net Assets With Donor Restrictions</b>				
Contributions received	969,509	12,500	-	982,009
Net assets released from restrictions	(916,704)	-	-	(916,704)
Increase in net assets with donor restrictions	52,805	12,500	-	65,305
<b>Change in Net Assets</b>	(97,960)	(15,703)	-	(113,663)
<b>Net Assets, Beginning of Year</b>	6,280,921	1,415,155	-	7,696,076
<b>Net Assets, End of Year</b>	<u>\$ 6,182,961</u>	<u>\$ 1,399,452</u>	<u>\$ -</u>	<u>\$ 7,582,413</u>