

**** PUBLIC DISCLOSURE COPY ****

Form **990**

Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

2021

Department of the Treasury
Internal Revenue Service

Do not enter social security numbers on this form as it may be made public.
Go to www.irs.gov/Form990 for instructions and the latest information.

Open to Public Inspection

A For the 2021 calendar year, or tax year beginning and ending

B Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return/terminated <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	C Name of organization SOUTHWEST HEALTH SYSTEM, INC.		D Employer identification number 84-1337350
	Doing business as		E Telephone number 970-565-6666
	Number and street (or P.O. box if mail is not delivered to street address)	Room/suite	G Gross receipts \$ 73,211,618.
	1311 NORTH MILDRED ROAD		H(a) Is this a group return for subordinates? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	City or town, state or province, country, and ZIP or foreign postal code CORTEZ, CO 81321		H(b) Are all subordinates included? <input type="checkbox"/> Yes <input type="checkbox"/> No
F Name and address of principal officer: JULIE LEONARD SAME AS C ABOVE		If "No," attach a list. See instructions	
I Tax-exempt status: <input checked="" type="checkbox"/> 501(c)(3) <input type="checkbox"/> 501(c) () (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527			
J Website: WWW.SWHEALTH.ORG			
K Form of organization: <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other		L Year of formation: 1996	M State of legal domicile: CO

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: TO PROVIDE QUALITY HEALTHCARE TO OUR COMMUNITY.		
	2 Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	4
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	4
	5 Total number of individuals employed in calendar year 2021 (Part V, line 2a)	5	583
	6 Total number of volunteers (estimate if necessary)	6	0
	7 a Total unrelated business revenue from Part VIII, column (C), line 12	7a	0.
b Net unrelated business taxable income from Form 990-T, Part I, line 11	7b	0.	
Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year 11,211,178.	Current Year 3,092,573.
	9 Program service revenue (Part VIII, line 2g)	56,977,051.	69,381,341.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	76,712.	-115,408.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	164,983.	644,036.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	68,429,924.	73,002,542.
	Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.
14 Benefits paid to or for members (Part IX, column (A), line 4)		0.	0.
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		36,601,035.	39,521,765.
16a Professional fundraising fees (Part IX, column (A), line 11e)		0.	0.
b Total fundraising expenses (Part IX, column (D), line 25)		0.	
17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)		31,195,482.	32,301,457.
18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	67,796,517.	71,823,222.	
19 Revenue less expenses. Subtract line 18 from line 12	633,407.	1,179,320.	
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	Beginning of Current Year 64,837,245.	End of Year 66,730,739.
	21 Total liabilities (Part X, line 26)	46,875,566.	47,476,340.
	22 Net assets or fund balances. Subtract line 21 from line 20	17,961,679.	19,254,399.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer		Date		
	JULIE LEONARD, CFO Type or print name and title				
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	PTIN
	NATHAN A. RODGERS, CPA	NATHAN A. RODGERS, C	11/02/22		P01568275
Firm's name BLUE & CO., LLC			Firm's EIN 35-1178661		
Firm's address 2650 EASTPOINT PKWY, SUITE 300 LOUISVILLE, KY 40223			Phone no. 502-992-3500		

May the IRS discuss this return with the preparer shown above? See instructions Yes No

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

1 Briefly describe the organization's mission: TO PROVIDE THE HIGHEST QUALITY HEALTH CARE TO OUR COMMUNITY BY BRINGING EXCELLENCE AND SERVICE TOGETHER TO PROMOTE, IMPROVE AND RESTORE HEALTH.

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

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? Yes No

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses.

4a (Code:) (Expenses \$ 67,687,904. including grants of \$) (Revenue \$ 69,381,341.) DURING 2021, SOUTHWEST HEALTH SYSTEMS SERVED APPROXIMATELY 51,323 INPATIENTS AND OUTPATIENTS, 54,836 PATIENTS WERE SERVED THROUGH OUR PHYSICIAN CLINICS, AND 12,606 PATIENTS WERE SEEN IN OUR EMERGENCY ROOM.

4b (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4c (Code:) (Expenses \$ including grants of \$) (Revenue \$)

4d Other program services (Describe on Schedule O.) (Expenses \$ including grants of \$) (Revenue \$)

4e Total program service expenses 67,687,904.

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)? <i>If "Yes," complete Schedule A</i>	1 X	
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ? See instructions	2 X	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>	3	X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	4 X	
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 Rev. Proc. 98-19? <i>If "Yes," complete Schedule C, Part III</i>	5	X
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? <i>If "Yes," complete Schedule D, Part I</i>	6	X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>	7	X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>	8	X
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? <i>If "Yes," complete Schedule D, Part IV</i>	9	X
10 Did the organization, directly or through a related organization, hold assets in donor-restricted endowments or in quasi endowments? <i>If "Yes," complete Schedule D, Part V</i>	10	X
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? <i>If "Yes," complete Schedule D, Part VI</i>	11a X	
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? <i>If "Yes," complete Schedule D, Part VII</i>	11b	X
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? <i>If "Yes," complete Schedule D, Part VIII</i>	11c	X
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? <i>If "Yes," complete Schedule D, Part IX</i>	11d	X
e Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	11e X	
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)? <i>If "Yes," complete Schedule D, Part X</i>	11f X	
12a Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	12a X	
b Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	12b	X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>	13	X
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	X
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? <i>If "Yes," complete Schedule F, Parts I and IV</i>	14b	X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>	15	X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>	16	X
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? <i>If "Yes," complete Schedule G, Part I.</i> See instructions	17	X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>	18	X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>	19	X
20a Did the organization operate one or more hospital facilities? <i>If "Yes," complete Schedule H</i>	20a X	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b X	
21 Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	X

Part IV Checklist of Required Schedules (continued)

	Yes	No
22 Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>		X
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>	X	
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 25a</i>	X	
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		X
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?		X
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		X
25a Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations. 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>		X
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>		X
26 Did the organization report any amount on Part X, line 5 or 22, for receivables from or payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part II</i>		X
27 Did the organization provide a grant or other assistance to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity (including an employee thereof) or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>		X
28 Was the organization a party to a business transaction with one of the following parties (see the Schedule L, Part IV, instructions for applicable filing thresholds, conditions, and exceptions):		
a A current or former officer, director, trustee, key employee, creator or founder, or substantial contributor? <i>If "Yes," complete Schedule L, Part IV</i>		X
b A family member of any individual described in line 28a? <i>If "Yes," complete Schedule L, Part IV</i>		X
c A 35% controlled entity of one or more individuals and/or organizations described in line 28a or 28b? <i>If "Yes," complete Schedule L, Part IV</i>		X
29 Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>		X
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>		X
31 Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>		X
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>		X
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>		X
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>	X	
35a Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
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>		
36 Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>		X
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>		X
38 Did the organization complete Schedule O and provide explanations on Schedule O for Part VI, lines 11b and 19?	X	

Note: All Form 990 filers are required to complete Schedule O

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

	Yes	No
1a Enter the number reported in box 3 of Form 1096. Enter -0- if not applicable		
b Enter the number of Forms W-2G included on line 1a. Enter -0- if not applicable		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance (continued)

Table with columns for question number, question text, and Yes/No checkboxes. Includes questions 2a through 17 regarding employee counts, tax returns, unrelated business income, foreign accounts, prohibited transactions, and charitable contributions.

Part VI Governance, Management, and Disclosure. For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See instructions.

Check if Schedule O contains a response or note to any line 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 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 on Schedule O.		
1b	Enter the number of voting members included on line 1a, above, who are independent		
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?		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person?	X	
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders?		X
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?		X
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
8a	The governing body?	X	
8b	Each committee with authority to act on behalf of the governing body?		X
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 on Schedule O		X

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?		X
10b	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?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
11b	Describe on 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	X	
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe on Schedule O how this was done	X	
13	Did the organization have a written whistleblower policy?	X	
14	Did the organization have a written document retention and destruction policy?	X	
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?		
15a	The organization's CEO, Executive Director, or top management official	X	
15b	Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process on Schedule O. See instructions.		X
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?		X
16b	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?		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed **CO**
- 18** Section 6104 requires an organization to make its Forms 1023 (1024 or 1024-A, if applicable), 990, and 990-T (section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request Other (explain on Schedule O)
- 19** Describe on 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, address, and telephone number of the person who possesses the organization's books and records **JULIE LEONARD - 970-564-2153**
1311 NORTH MILDRED, CORTEZ, CO 81321

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

Check if Schedule O contains a response or note to any line 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 the 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, Form 1099-MISC, and/or box 1 of Form 1099-NEC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and 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. See the instructions for the order in which to list the persons above.

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 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/1099-NEC)	(E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC)	(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) DAN VALVERDE CHAIR	3.50	X						0.	0.	0.
(2) TOM RICE CHAIRPERSON RECREATION STAFF (END 04	3.50	X						0.	0.	0.
(3) SUSAN HODGDON VICE-CHAIR	3.00	X						0.	0.	0.
(4) CODY BURKE VICE-CHAIR (END 05/21)	2.00	X						0.	0.	0.
(5) SHIRLEY JONES SECRETARY/TREASURER	2.00	X						0.	0.	0.
(6) SEAN KILLOY DIRECTOR (BEG 09/21)	2.00	X						0.	0.	0.
(7) JEANETTE FILPI CEO	40.00			X				0.	0.	0.
(8) JULIE LEONARD CFO	40.00			X				0.	0.	0.
(9) BEN CARELOCK CHIEF OF STAFF	40.00			X				276,652.	0.	19,627.
(10) JOHN BROOKS, ESQ. LEGAL	40.00			X				151,992.	0.	0.
(11) BRADEN JONES CLINIC PHYSICIAN	40.00					X		698,356.	0.	20,813.
(12) ERIN SCHMITT CLINIC PHYSICIAN	40.00					X		498,139.	0.	19,566.
(13) KEVIN MATTESON CLINIC PHYSICIAN	40.00					X		528,469.	0.	19,718.
(14) KENTON ASCHE HOSPITAL PHYSICIAN	40.00					X		439,154.	0.	19,639.
(15) DOUGLAS BAGGE HOSPITAL PHYSICIAN	40.00					X		472,765.	0.	27,020.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)

(A) Name and title	(B) Average hours per week (list any hours for related organizations below 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/1099-NEC)	(E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC)	(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			
1b Subtotal							3,065,527.	0.	126,383.	
c Total from continuation sheets to Part VII, Section A							0.	0.	0.	
d Total (add lines 1b and 1c)							3,065,527.	0.	126,383.	

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 of reportable compensation from the organization **48**

	Yes	No
3 Did the organization list any former officer, director, trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
4 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>	X	
5 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>		X

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
MEDEFIS CONSOLIDATED PO BOX 5068, NEW YORK, NY 10087-5068	CONTRACT EMPLOYEES	1,208,441.
TRANE PO BOX 98167, CHICAGO, IL 60693	BUILDING CONSTRUCTION/IMPROVE	730,491.
RURAL PARTNERS IN MEDICINE, LLC 11990 AIRPORT WAY, BROOMFIELD, CO 80021	CONTRACT PROVIDERS	621,869.
NOVUS ANESTHESIA OF CO, 2510 W CERVANTES STREET, PENSACOLA, FL 32505	CONTRACT ANESTHESIOLOGIST	590,063.
TIBOR MOJZIS, MD 3551 ROAD J.8, MANCOS, CO 81328	CONTRACT PROVIDERS	513,216.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization **16**

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line 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 - 514	
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d					
	e Government grants (contributions)	1e	2,876,597.				
	f All other contributions, gifts, grants, and similar amounts not included above	1f	215,976.				
	g Noncash contributions included in lines 1a-1f	1g	\$				
	h Total. Add lines 1a-1f			3,092,573.			
Program Service Revenue	2 a NET PATIENT SERVICE REVENUE	Business Code	621400	63,931,761.	63931761.		
	b PHARMACY		446110	2,487,375.	2,487,375.		
	c SALES AND USE TAX REVENUE		900099	2,069,420.	2,069,420.		
	d 340B REVENUE		446110	892,785.	892,785.		
	e						
	f All other program service revenue		900099				
	g Total. Add lines 2a-2f			69,381,341.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			93,668.		93,668.	
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
	6 a Gross rents	6a	(i) Real				
			(ii) Personal				
	b Less: rental expenses	6b					
	c Rental income or (loss)	6c					
	d Net rental income or (loss)						
	7 a Gross amount from sales of assets other than inventory	7a	(i) Securities				
			(ii) Other				
	b Less: cost or other basis and sales expenses	7b	65,395.	143,681.			
c Gain or (loss)	7c	-65,395.	-143,681.				
d Net gain or (loss)			-209,076.		-209,076.		
8 a Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18	8a						
b Less: direct expenses	8b						
c Net income or (loss) from fundraising events							
9 a Gross income from gaming activities. See Part IV, line 19	9a						
b Less: direct expenses	9b						
c Net income or (loss) from gaming activities							
10 a Gross sales of inventory, less returns and allowances	10a						
b Less: cost of goods sold	10b						
c Net income or (loss) from sales of inventory							
Miscellaneous Revenue	11 a MISC REVENUE	Business Code	900099	408,670.		408,670.	
	b CAFETERIA REVENUE		900099	235,366.		235,366.	
	c						
	d All other revenue						
	e Total. Add lines 11a-11d			644,036.			
12 Total revenue. See instructions			73,002,542.	69381341.	0.	528,628.	

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 or note to any line 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 domestic organizations and domestic governments. See Part IV, line 21 ...				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees				
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	34,316,883.	31,914,701.	2,402,182.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	348,591.	324,190.	24,401.	
9 Other employee benefits	2,885,873.	2,683,862.	202,011.	
10 Payroll taxes	1,970,418.	1,832,489.	137,929.	
11 Fees for services (nonemployees):				
a Management				
b Legal	176,448.		176,448.	
c Accounting	96,403.		96,403.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees				
g Other. (If line 11g amount exceeds 10% of line 25, column (A), amount, list line 11g expenses on Sch O.)	6,495,275.	6,417,216.	78,059.	
12 Advertising and promotion	48,786.	45,371.	3,415.	
13 Office expenses	1,136,365.	1,056,819.	79,546.	
14 Information technology				
15 Royalties				
16 Occupancy	2,235,355.	2,078,880.	156,475.	
17 Travel	416,262.	387,124.	29,138.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials ...				
19 Conferences, conventions, and meetings	276,943.	257,557.	19,386.	
20 Interest	1,599,069.	1,487,134.	111,935.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	4,214,098.	3,919,111.	294,987.	
23 Insurance	952,727.	886,036.	66,691.	
24 Other expenses. Itemize expenses not covered above. (List miscellaneous expenses on line 24e. If line 24e amount exceeds 10% of line 25, column (A), amount, list line 24e expenses on Schedule O.)				
a MEDICAL SUPPLIES	9,052,471.	9,052,471.		
b REPAIRS AND MAINTENANCE	2,389,293.	2,222,042.	167,251.	
c PROVIDER TAX	2,032,856.	2,032,856.		
d MISCELLANEOUS	1,179,106.	1,090,045.	89,061.	
e All other expenses _____				
25 Total functional expenses. Add lines 1 through 24e	71,823,222.	67,687,904.	4,135,318.	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 or note to any line in this Part X

		(A) Beginning of year		(B) End of year
Assets	1 Cash - non-interest-bearing	7,004,094.	1	11,924,325.
	2 Savings and temporary cash investments	4,563,081.	2	782,270.
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	5,650,993.	4	6,879,467.
	5 Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		5	
	6 Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B)		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use	1,802,177.	8	1,832,726.
	9 Prepaid expenses and deferred charges	437,170.	9	640,617.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 85,671,058.		
	b Less: accumulated depreciation	10b 48,476,423.	38,309,408.	10c 37,194,635.
	11 Investments - publicly traded securities	6,105,195.	11	6,432,015.
	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	965,127.	15	1,044,684.
16 Total assets. Add lines 1 through 15 (must equal line 33)	64,837,245.	16	66,730,739.	
Liabilities	17 Accounts payable and accrued expenses	7,200,220.	17	7,107,442.
	18 Grants payable		18	
	19 Deferred revenue	6,134,232.	19	3,066,925.
	20 Tax-exempt bond liabilities	31,042,461.	20	28,982,347.
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Loans and other payables to any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		22	
	23 Secured mortgages and notes payable to unrelated third parties	342,376.	23	2,714,726.
	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	2,156,277.	25	5,604,900.
	26 Total liabilities. Add lines 17 through 25	46,875,566.	26	47,476,340.
Net Assets or Fund Balances	Organizations that follow FASB ASC 958, check here <input checked="" type="checkbox"/> and complete lines 27, 28, 32, and 33.			
	27 Net assets without donor restrictions	17,961,679.	27	19,254,399.
	28 Net assets with donor restrictions		28	
	Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.			
	29 Capital stock or trust principal, or current funds		29	
	30 Paid-in or capital surplus, or land, building, or equipment fund		30	
	31 Retained earnings, endowment, accumulated income, or other funds		31	
	32 Total net assets or fund balances	17,961,679.	32	19,254,399.
33 Total liabilities and net assets/fund balances	64,837,245.	33	66,730,739.	

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	73,002,542.
2	Total expenses (must equal Part IX, column (A), line 25)	2	71,823,222.
3	Revenue less expenses. Subtract line 2 from line 1	3	1,179,320.
4	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	4	17,961,679.
5	Net unrealized gains (losses) on investments	5	135,388.
6	Donated services and use of facilities	6	
7	Investment expenses	7	-21,988.
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain on Schedule O)	9	0.
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 32, column (B))	10	19,254,399.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

- 1 Accounting method used to prepare the Form 990: Cash Accrual Other _____
If the organization changed its method of accounting from a prior year or checked "Other," explain on 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:
 Separate basis Consolidated basis Both consolidated and separate basis
- b 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:
 Separate basis Consolidated basis Both consolidated and separate basis
- c 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 on Schedule O.
- 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?
- b If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why on Schedule O and describe any steps taken to undergo such audits

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b		

**SCHEDULE A
(Form 990)**

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.

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization **SOUTHWEST HEALTH SYSTEM, INC.** **Employer identification number** **84-1337350**

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 12, 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 (Form 990).)
- 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 agricultural research organization described in section 170(b)(1)(A)(ix) operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 An organization that normally receives (1) more than 33 1/3% 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 1/3% 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.)
- 11 An organization organized and operated exclusively to test for public safety. See section 509(a)(4).
- 12 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 on lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.

f Enter the number of supported organizations

g Provide the following information about the supported organization(s).

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			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) 2017	(b) 2018	(c) 2019	(d) 2020	(e) 2021	(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) 2017	(b) 2018	(c) 2019	(d) 2020	(e) 2021	(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 VI.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc. (see instructions)					12	
13 First 5 years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here						<input type="checkbox"/>

Section C. Computation of Public Support Percentage

14 Public support percentage for 2021 (line 6, column (f), divided by line 11, column (f))	14	%
15 Public support percentage from 2020 Schedule A, Part II, line 14	15	%
16a 33 1/3% support test - 2021. 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		<input type="checkbox"/>
b 33 1/3% support test - 2020. 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		<input type="checkbox"/>
17a 10% -facts-and-circumstances test - 2021. 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 VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
b 10% -facts-and-circumstances test - 2020. 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 VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization		<input type="checkbox"/>
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		<input type="checkbox"/>

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

(Complete only if you checked the box on line 10 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

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 1 Gifts, grants, contributions, and membership fees received; 2 Gross receipts from admissions; 3 Gross receipts from activities that are not an unrelated trade or business; 4 Tax revenues levied for the organization's benefit; 5 The value of services or facilities furnished by a governmental unit; 6 Total; 7a Amounts included on lines 1, 2, and 3 received from disqualified persons; 7b Amounts included on lines 2 and 3 received from other than disqualified persons; 8 Public support.

Section B. Total Support

Table with 7 columns: (a) 2017, (b) 2018, (c) 2019, (d) 2020, (e) 2021, (f) Total. Rows include: 9 Amounts from line 6; 10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources; 10b Unrelated business taxable income; 11 Net income from unrelated business activities not included on line 10b; 12 Other income; 13 Total support.

14 First 5 years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here

Section C. Computation of Public Support Percentage

Table with 2 columns: Description, Percentage. Row 15: Public support percentage for 2021 (line 8, column (f), divided by line 13, column (f)) 15%. Row 16: Public support percentage from 2020 Schedule A, Part III, line 15 16%.

Section D. Computation of Investment Income Percentage

Table with 2 columns: Description, Percentage. Row 17: Investment income percentage for 2021 (line 10c, column (f), divided by line 13, column (f)) 17%. Row 18: Investment income percentage from 2020 Schedule A, Part III, line 17 18%.

19a 33 1/3% support tests - 2021. 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 - 2020. 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 Supporting Organizations

(Complete only if you checked a box in line 12 on Part I. If you checked box 12a, Part I, complete Sections A and B. If you checked box 12b, Part I, complete Sections A and C. If you checked box 12c, Part I, complete Sections A, D, and E. If you checked box 12d, Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

	Yes	No
1 Are all of the organization's supported organizations listed by name in the organization's governing documents? <i>If "No," describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.</i>		
2 Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? <i>If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).</i>		
3a Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? <i>If "Yes," answer lines 3b and 3c below.</i>		
b Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? <i>If "Yes," describe in Part VI when and how the organization made the determination.</i>		
c Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? <i>If "Yes," explain in Part VI what controls the organization put in place to ensure such use.</i>		
4a Was any supported organization not organized in the United States ("foreign supported organization")? <i>If "Yes," and if you checked box 12a or 12b in Part I, answer lines 4b and 4c below.</i>		
b Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? <i>If "Yes," describe in Part VI how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.</i>		
c Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? <i>If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.</i>		
5a Did the organization add, substitute, or remove any supported organizations during the tax year? <i>If "Yes," answer lines 5b and 5c below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).</i>		
b Type I or Type II only. Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
c Substitutions only. Was the substitution the result of an event beyond the organization's control?		
6 Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? <i>If "Yes," provide detail in Part VI.</i>		
7 Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (as defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? <i>If "Yes," complete Part I of Schedule L (Form 990).</i>		
8 Did the organization make a loan to a disqualified person (as defined in section 4958) not described on line 7? <i>If "Yes," complete Part I of Schedule L (Form 990).</i>		
9a Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons, as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? <i>If "Yes," provide detail in Part VI.</i>		
b Did one or more disqualified persons (as defined on line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? <i>If "Yes," provide detail in Part VI.</i>		
c Did a disqualified person (as defined on line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? <i>If "Yes," provide detail in Part VI.</i>		
10a Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? <i>If "Yes," answer line 10b below.</i>		
b Did the organization have any excess business holdings in the tax year? <i>(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)</i>		

Part IV Supporting Organizations (continued)

	Yes	No
11 Has the organization accepted a gift or contribution from any of the following persons?		
a A person who directly or indirectly controls, either alone or together with persons described on lines 11b and 11c below, the governing body of a supported organization?		
b A family member of a person described on line 11a above?		
c A 35% controlled entity of a person described on line 11a or 11b above? <i>If "Yes" to line 11a, 11b, or 11c, provide detail in Part VI.</i>		
11a		
11b		
11c		

Section B. Type I Supporting Organizations

	Yes	No
1 Did the governing body, members of the governing body, officers acting in their official capacity, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's officers, directors, or trustees at all times during the tax year? <i>If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove officers, directors, or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.</i>		
2 Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? <i>If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.</i>		
1		
2		

Section C. Type II Supporting Organizations

	Yes	No
1 Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? <i>If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).</i>		
1		

Section D. All Type III Supporting Organizations

	Yes	No
1 Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
2 Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? <i>If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s).</i>		
3 By reason of the relationship described on line 2, above, did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? <i>If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.</i>		
1		
2		
3		

Section E. Type III Functionally Integrated Supporting Organizations

1 Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
a <input type="checkbox"/> The organization satisfied the Activities Test. Complete line 2 below.			
b <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete line 3 below.			
c <input type="checkbox"/> The organization supported a governmental entity. Describe in Part VI how you supported a governmental entity (see instructions).			
2 Activities Test. Answer lines 2a and 2b below.			
a Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? <i>If "Yes," then in Part VI identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.</i>			
b Did the activities described on line 2a, above, constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? <i>If "Yes," explain in Part VI the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.</i>			
3 Parent of Supported Organizations. Answer lines 3a and 3b below.			
a Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? <i>If "Yes" or "No" provide details in Part VI.</i>			
b Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? <i>If "Yes," describe in Part VI the role played by the organization in this regard.</i>			
2a			
2b			
3a			
3b			

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

1 Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI). See instructions.
 All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1	Net short-term capital gain	1	
2	Recoveries of prior-year distributions	2	
3	Other gross income (see instructions)	3	
4	Add lines 1 through 3.	4	
5	Depreciation and depletion	5	
6	Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6	
7	Other expenses (see instructions)	7	
8	Adjusted Net Income (subtract lines 5, 6, and 7 from line 4)	8	

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1	Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):		
a	Average monthly value of securities	1a	
b	Average monthly cash balances	1b	
c	Fair market value of other non-exempt-use assets	1c	
d	Total (add lines 1a, 1b, and 1c)	1d	
e	Discount claimed for blockage or other factors (explain in detail in Part VI):		
2	Acquisition indebtedness applicable to non-exempt-use assets	2	
3	Subtract line 2 from line 1d.	3	
4	Cash deemed held for exempt use. Enter 0.015 of line 3 (for greater amount, see instructions).	4	
5	Net value of non-exempt-use assets (subtract line 4 from line 3)	5	
6	Multiply line 5 by 0.035.	6	
7	Recoveries of prior-year distributions	7	
8	Minimum Asset Amount (add line 7 to line 6)	8	

Section C - Distributable Amount			Current Year
1	Adjusted net income for prior year (from Section A, line 8, column A)	1	
2	Enter 0.85 of line 1.	2	
3	Minimum asset amount for prior year (from Section B, line 8, column A)	3	
4	Enter greater of line 2 or line 3.	4	
5	Income tax imposed in prior year	5	
6	Distributable Amount. Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions).	6	
7	<input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions		Current Year
1	Amounts paid to supported organizations to accomplish exempt purposes	1
2	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	2
3	Administrative expenses paid to accomplish exempt purposes of supported organizations	3
4	Amounts paid to acquire exempt-use assets	4
5	Qualified set-aside amounts (prior IRS approval required - provide details in Part VI)	5
6	Other distributions (describe in Part VI). See instructions.	6
7	Total annual distributions. Add lines 1 through 6.	7
8	Distributions to attentive supported organizations to which the organization is responsive (provide details in Part VI). See instructions.	8
9	Distributable amount for 2021 from Section C, line 6	9
10	Line 8 amount divided by line 9 amount	10

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2021	(iii) Distributable Amount for 2021
1 Distributable amount for 2021 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2021 (reasonable cause required - explain in Part VI). See instructions.			
3 Excess distributions carryover, if any, to 2021			
a From 2016			
b From 2017			
c From 2018			
d From 2019			
e From 2020			
f Total of lines 3a through 3e			
g Applied to underdistributions of prior years			
h Applied to 2021 distributable amount			
i Carryover from 2016 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from line 3f.			
4 Distributions for 2021 from Section D, line 7: \$			
a Applied to underdistributions of prior years			
b Applied to 2021 distributable amount			
c Remainder. Subtract lines 4a and 4b from line 4.			
5 Remaining underdistributions for years prior to 2021, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions.			
6 Remaining underdistributions for 2021. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions.			
7 Excess distributions carryover to 2022. Add lines 3j and 4c.			
8 Breakdown of line 7:			
a Excess from 2017			
b Excess from 2018			
c Excess from 2019			
d Excess from 2020			
e Excess from 2021			

Schedule B
(Form 990)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

▶ Attach to Form 990 or Form 990-PF.
▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2021

Name of the organization

SOUTHWEST HEALTH SYSTEM, INC.

Employer identification number

84-1337350

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

501(c)(3) (enter number) organization

4947(a)(1) nonexempt charitable trust **not** treated as a private foundation

527 political organization

Form 990-PF

501(c)(3) exempt private foundation

4947(a)(1) nonexempt charitable trust treated as a private foundation

501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**.

Note: Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.

General Rule

For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

Special Rules

For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of **(1)** \$5,000; or **(2)** 2% of the amount on (i) Form 990, Part VIII, line 1h; or (ii) Form 990-EZ, line 1. Complete Parts I and II.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I (entering "N/A" in column (b) instead of the contributor name and address), II, and III.

For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ▶ \$ _____

Caution: An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990).

LHA For Paperwork Reduction Act Notice, see the instructions for Form 990, 990-EZ, or 990-PF.

Schedule B (Form 990) (2021)

Name of organization SOUTHWEST HEALTH SYSTEM, INC.	Employer identification number 84-1337350
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Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
<u>1</u>	<hr/> <hr/> <hr/>	\$ <u>11,941.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<u>2</u>	<hr/> <hr/> <hr/>	\$ <u>5,453.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<u>3</u>	<hr/> <hr/> <hr/>	\$ <u>18,553.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<u>4</u>	<hr/> <hr/> <hr/>	\$ <u>33,675.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<u>5</u>	<hr/> <hr/> <hr/>	\$ <u>2,876,597.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
<u>6</u>	<hr/> <hr/> <hr/>	\$ <u>130,766.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization SOUTHWEST HEALTH SYSTEM, INC.	Employer identification number 84-1337350
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Part I Contributors (see instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
7	<hr/> <hr/> <hr/>	\$ <u>8,400.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
8	<hr/> <hr/> <hr/>	\$ <u>7,188.</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
	<hr/> <hr/> <hr/>	\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Name of organization SOUTHWEST HEALTH SYSTEM, INC.	Employer identification number 84-1337350
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Part II Noncash Property (see instructions). Use duplicate copies of Part II if additional space is needed.

(a) No. from Part I	(b) Description of noncash property given	(c) FMV (or estimate) (See instructions.)	(d) Date received
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____
	<div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div> <div style="border-bottom: 1px solid black; margin-bottom: 2px;"> </div>	\$ _____	_____

Name of organization SOUTHWEST HEALTH SYSTEM, INC.	Employer identification number 84-1337350
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Part III Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of **\$1,000 or less** for the year. (Enter this info. once.) ▶ \$ _____
Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	
(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
(e) Transfer of gift			
Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee	

SCHEDULE C
(Form 990)

Political Campaign and Lobbying Activities

OMB No. 1545-0047

2021

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

For Organizations Exempt From Income Tax Under section 501(c) and section 527
 ► **Complete if the organization is described below.** ► **Attach to Form 990 or Form 990-EZ.**
 ► **Go to www.irs.gov/Form990 for instructions and the latest information.**

If the organization answered "Yes," on Form 990, Part IV, line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," on Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," on Form 990, Part IV, line 5 (Proxy Tax) (See separate instructions) or Form 990-EZ, Part V, line 35c (Proxy Tax) (See separate instructions), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization SOUTHWEST HEALTH SYSTEM, INC.	Employer identification number 84-1337350
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Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
- 2 Political campaign activity expenditures ► \$ _____
- 3 Volunteer hours for political campaign activities _____

Part I-B Complete if the organization is exempt under section 501(c)(3).

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 ► \$ _____
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 ► \$ _____
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? Yes No
- 4a Was a correction made? Yes No
- b If "Yes," describe in Part IV.

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities ► \$ _____
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities ► \$ _____
- 3 Total exempt function expenditures. Add lines 1 and 2. Enter here and on Form 1120-POL, line 17b ► \$ _____
- 4 Did the filing organization file **Form 1120-POL** for this year? Yes No
- 5 Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments. For each organization listed, enter the amount paid from the filing organization's funds. Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.

Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A** Check if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures).
- B** Check if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a	Total lobbying expenditures to influence public opinion (grassroots lobbying)														
b	Total lobbying expenditures to influence a legislative body (direct lobbying)														
c	Total lobbying expenditures (add lines 1a and 1b)														
d	Other exempt purpose expenditures														
e	Total exempt purpose expenditures (add lines 1c and 1d)														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">If the amount on line 1e, column (a) or (b) is:</th> <th style="text-align: left;">The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g	Grassroots nontaxable amount (enter 25% of line 1f)														
h	Subtract line 1g from line 1a. If zero or less, enter -0-														
i	Subtract line 1f from line 1c. If zero or less, enter -0-														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?														

Yes No

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the separate instructions for lines 2a through 2f.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2018	(b) 2019	(c) 2020	(d) 2021	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		X	
i Other activities?	X		2,049.
j Total. Add lines 1c through 1i			2,049.
2a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	3	

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a Current year	2a	
b Carryover from last year	2b	
c Total	2c	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5 Taxable amount of lobbying and political expenditures. See instructions	5	

Part IV Supplemental Information

Provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5; Part II-A (affiliated group list); Part II-A, lines 1 and 2 (See instructions); and Part II-B, line 1. Also, complete this part for any additional information.

PART II-B, LINE 1, LOBBYING ACTIVITIES:

THE LOBBYING EXPENSE IS THE ALLOCABLE PORTION OF DUES PAID TO CHA AND AHA DISCLOSED AS LOBBYING ACTIVITY. THE ORGANIZATIONS PROVIDE THE PERCENTAGE TO USE FOR ALLOCATION PURPOSES.

SCHEDULE D (Form 990)

Department of the Treasury Internal Revenue Service

Supplemental Financial Statements

Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b. Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization: SOUTHWEST HEALTH SYSTEM, INC. Employer identification number: 84-1337350

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

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows include: 1 Total number at end of year, 2 Aggregate value of contributions to (during year), 3 Aggregate value of 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? (Yes/No), 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? (Yes/No)

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

Table with 2 columns: Held at the End of the Tax Year. Rows include: 1 Purpose(s) of conservation easements held by the organization (check all that apply): Preservation of land for public use, Protection of natural habitat, Preservation of open space, Preservation of a historically important land area, Preservation of a certified historic structure; 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: 2a Total number of conservation easements, 2b Total acreage restricted by conservation easements, 2c Number of conservation easements on a certified historic structure included in (a), 2d Number of conservation easements included in (c) acquired after 7/25/06, 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, handling of violations, and enforcing conservation easements during the year; 7 Amount of expenses incurred in monitoring, inspecting, handling of violations, 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" on Form 990, Part IV, line 8.

Table with 2 columns: Revenue, Assets. Rows include: 1a If the organization elected, as permitted under FASB 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.; 1b If the organization elected, as permitted under FASB 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) Revenue included on Form 990, Part VIII, line 1; (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 FASB ASC 958 relating to these items: a Revenue included on Form 990, Part VIII, line 1; b Assets included in Form 990, Part X

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 make 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 program
 - 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" on 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 |
|---------------------------------|--------|
| c Beginning balance | 1c |
| d Additions during the year | 1d |
| e Distributions during the year | 1e |
| f Ending balance | 1f |
- 2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? Yes No
- b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII

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

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

- 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 Term endowment _____ %
- The percentages on 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:
- | | Yes | No |
|--|--------|----|
| (i) Unrelated organizations | 3a(i) | |
| (ii) Related organizations | 3a(ii) | |
| b If "Yes" on line 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.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. 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		1,047,048.		1,047,048.
b Buildings		53,046,329.	23,105,089.	29,941,240.
c Leasehold improvements				
d Equipment		31,577,681.	25,371,334.	6,206,347.
e Other				

Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.) 37,194,635.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 15.) ▶	

Part X Other Liabilities.

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value
(1) Federal income taxes	
(2) EST THIRD PARTY PAYOR SETTLEMENTS	4,873,870.
(3) DEFERRED COMPENSATION	731,030.
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
Total. (Column (b) must equal Form 990, Part X, col. (B) line 25.) ▶	5,604,900.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FASB ASC 740. Check here if the text of the footnote has been provided in Part XIII ...

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements	1	73,115,942.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains (losses) on investments	2a	135,388.
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	135,388.
3	Subtract line 2e from line 1	3	72,980,554.
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	21,988.
b	Other (Describe in Part XIII.)	4b	
c	Add lines 4a and 4b	4c	21,988.
5	Total revenue. Add lines 3 and 4c . (This must equal Form 990, Part I, line 12.)	5	73,002,542.

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements	1	71,823,222.
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	0.
3	Subtract line 2e from line 1	3	71,823,222.
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	0.
5	Total expenses. Add lines 3 and 4c . (This must equal Form 990, Part I, line 18.)	5	71,823,222.

Part XIII Supplemental Information.

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.

PART X, LINE 2:

THE HEALTH SYSTEM IS A NOT-FOR-PROFIT CORPORATION AS DESCRIBED IN SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AND IS EXEMPT FROM FEDERAL INCOME TAXES ON RELATED INCOME PURSUANT TO SECTION 501(A) OF THE CODE. AS SUCH, THE HEALTH SYSTEM IS GENERALLY EXEMPT FROM INCOME TAXES. HOWEVER, THE HEALTH SYSTEM IS REQUIRED TO FILE FEDERAL FORM 990 RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX WHICH IS AN INFORMATIONAL RETURN ONLY.

ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA REQUIRE MANAGEMENT TO EVALUATE TAX POSITIONS TAKEN BY THE HEALTH SYSTEM AND RECOGNIZE A TAX LIABILITY IF THE HEALTH SYSTEM HAS TAKEN AN UNCERTAIN TAX POSITION THAT MORE LIKELY THAN NOT WOULD NOT BE SUSTAINED UPON

Part XIII Supplemental Information *(continued)*

EXAMINATION BY VARIOUS FEDERAL AND STATE TAXING AUTHORITIES. MANAGEMENT HAS ANALYZED THE TAX POSITIONS TAKEN BY THE HEALTH SYSTEM, AND HAS CONCLUDED THAT AS OF DECEMBER 31, 2021 AND 2020, THERE ARE NO UNCERTAIN POSITIONS TAKEN OR EXPECTED TO BE TAKEN THAT WOULD REQUIRE RECOGNITION OF A LIABILITY OR DISCLOSURE IN THE ACCOMPANYING FINANCIAL STATEMENTS. THE HEALTH SYSTEM IS SUBJECT TO ROUTINE AUDITS BY TAXING JURISDICTIONS; HOWEVER, THERE ARE CURRENTLY NO AUDITS FOR ANY TAX PERIODS IN PROGRESS.

**SCHEDULE H
(Form 990)**

Department of the Treasury
Internal Revenue Service

Hospitals

- ▶ Complete if the organization answered "Yes" on Form 990, Part IV, question 20.
- ▶ Attach to Form 990.
- ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization: **SOUTHWEST HEALTH SYSTEM, INC.** Employer identification number: **84-1337350**

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	X	
b If "Yes," was it a written policy?	X	
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 free care: <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>250</u> %	X	
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 type="checkbox"/> 300% <input type="checkbox"/> 350% <input checked="" type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	X	
c If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used 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"?	X	
5a Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	X	
b If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?		X
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?		
6a Did the organization prepare a community benefit report during the tax year?		X
b If "Yes," did the organization make it available to the public?		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Financial Assistance and Certain Other Community Benefits at Cost

	(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
Financial Assistance and Means-Tested Government Programs						
a Financial Assistance at cost (from Worksheet 1)			3306327.	0.	3306327.	4.60%
b Medicaid (from Worksheet 3, column a)			20872370.	15203570.	5668800.	7.89%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d Total. Financial Assistance and Means-Tested Government Programs			24178697.	15203570.	8975127.	12.49%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)				57,553.	0.	.00%
g Subsidized health services (from Worksheet 6)			16515441.	15425372.	1090069.	1.52%
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j Total. Other Benefits			16515441.	15482925.	1090069.	1.52%
k Total. Add lines 7d and 7j			40694138.	30686495.	10065196.	14.01%

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.

Table with 7 columns: (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. Rows include Physical improvements and housing, Economic development, Community support, Environmental improvements, Leadership development and training for community members, Coalition building, Community health improvement advocacy, Workforce development, Other, and Total.

Part III Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

Table for Section A with columns for Yes/No. Row 1: Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? (Yes: X). Row 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 | 3,944,773.). Row 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 | 0.). Row 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

Table for Section B with columns for Yes/No. Row 5: Enter total revenue received from Medicare (including DSH and IME) (5 | 4,595,278.). Row 6: Enter Medicare allowable costs of care relating to payments on line 5 (6 | 4,441,469.). Row 7: Subtract line 6 from line 5. This is the surplus (or shortfall) (7 | 153,809.). Row 8: Describe in Part VI the extent to which any shortfall reported on 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 [X] Other.

Section C. Collection Practices

Table for Section C with columns for Yes/No. Row 9a: Did the organization have a written debt collection policy during the tax year? (9a | X). Row 9b: 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 | X).

Part IV Management Companies and Joint Ventures (owned 10% or more by officers, directors, trustees, key employees, and physicians - see instructions)

Table with 5 columns: (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 %.

Part V Facility Information

Section A. Hospital Facilities

(list in order of size, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)

	Licensed hospital	Gen. medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
1 SOUTHWEST MEMORIAL HOSPITAL										
1311 NORTH MILDRED										
CORTEZ, CO 81321										
WWW.SWHEALTH.ORG										
012206	X	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)

Name of hospital facility or letter of facility reporting group SOUTHWEST MEMORIAL HOSPITAL

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

	Yes	No
Community Health Needs Assessment		
1 Was the hospital facility first licensed, registered, or similarly recognized by a state as a hospital facility in the current tax year or the immediately preceding tax year?		X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C		X
3 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 12	X	
If "Yes," indicate what the CHNA report describes (check all that apply):		
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 significant 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"/> The impact of any actions taken to address the significant health needs identified in the hospital facility's prior CHNA(s)		
j <input type="checkbox"/> Other (describe in Section C)		
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 <u>19</u>		
5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	X	
6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C		X
b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C		X
7 Did the hospital facility make its CHNA report widely available to the public?	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):		
a <input checked="" type="checkbox"/> Hospital facility's website (list url): <u>HTTPS://WWW.SWHEALTH.ORG/ABOUT/CHNA/</u>		
b <input type="checkbox"/> Other website (list url): _____		
c <input checked="" type="checkbox"/> Made a paper copy available for public inspection without charge at the hospital facility		
d <input type="checkbox"/> Other (describe in Section C)		
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11	X	
9 Indicate the tax year the hospital facility last adopted an implementation strategy: 20 <u>19</u>		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	X	
a If "Yes," (list url): <u>HTTP://WWW.SWHEALTH.ORG/ABOUT/CHNA</u>		
b If "No," is the hospital facility's most recently adopted implementation strategy attached to this return?		
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed.		
12a 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)?		X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?		
c If "Yes" to line 12b, 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 (FAP)

Name of hospital facility or letter of facility reporting group SOUTHWEST MEMORIAL HOSPITAL

		Yes	No
Did the hospital facility have in place during the tax year a written financial assistance policy that:			
13	Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care?	X	
If "Yes," indicate the eligibility criteria explained in the FAP:			
a	<input checked="" type="checkbox"/> Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of <u>250</u> % and FPG family income limit for eligibility for discounted care of <u>400</u> %		
b	<input type="checkbox"/> Income level other than FPG (describe in Section C)		
c	<input type="checkbox"/> Asset level		
d	<input checked="" type="checkbox"/> Medical indigency		
e	<input type="checkbox"/> Insurance status		
f	<input type="checkbox"/> Underinsurance status		
g	<input type="checkbox"/> Residency		
h	<input type="checkbox"/> Other (describe in Section C)		
14	Explained the basis for calculating amounts charged to patients?	X	
15	Explained the method for applying for financial assistance?	X	
If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply):			
a	<input checked="" type="checkbox"/> Described the information the hospital facility may require an individual to provide as part of his or her application		
b	<input checked="" type="checkbox"/> Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application		
c	<input checked="" type="checkbox"/> Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process		
d	<input checked="" type="checkbox"/> Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications		
e	<input type="checkbox"/> Other (describe in Section C)		
16	Was widely publicized within the community served by the hospital facility?	X	
If "Yes," indicate how the hospital facility publicized the policy (check all that apply):			
a	<input checked="" type="checkbox"/> The FAP was widely available on a website (list url): <u>WWW.SWHEALTH.ORG/FINANCIALASSISTANCE/</u>		
b	<input checked="" type="checkbox"/> The FAP application form was widely available on a website (list url): <u>SEE PART V, PAGE 8</u>		
c	<input checked="" type="checkbox"/> A plain language summary of the FAP was widely available on a website (list url): <u>SEE PART V, PAGE 8</u>		
d	<input checked="" type="checkbox"/> The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
e	<input checked="" type="checkbox"/> The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)		
f	<input checked="" type="checkbox"/> A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)		
g	<input checked="" type="checkbox"/> Individuals were notified about the FAP by being offered a paper copy of the plain language summary of the FAP, by receiving a conspicuous written notice about the FAP on their billing statements, and via conspicuous public displays or other measures reasonably calculated to attract patients' attention		
h	<input checked="" type="checkbox"/> Notified members of the community who are most likely to require financial assistance about availability of the FAP		
i	<input checked="" type="checkbox"/> The FAP, FAP application form, and plain language summary of the FAP were translated into the primary language(s) spoken by Limited English Proficiency (LEP) populations		
j	<input checked="" type="checkbox"/> Other (describe in Section C)		

Part V Facility Information (continued)

Billing and Collections

Name of hospital facility or letter of facility reporting group SOUTHWEST MEMORIAL HOSPITAL

	Yes	No
17 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 all of the actions the hospital facility or other authorized party may take upon nonpayment?	X	
18 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 individual's eligibility under the facility's FAP:		
a <input type="checkbox"/> Reporting to credit agency(ies) b <input type="checkbox"/> Selling an individual's debt to another party c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP d <input type="checkbox"/> Actions that require a legal or judicial process e <input type="checkbox"/> Other similar actions (describe in Section C) f <input checked="" type="checkbox"/> None of these actions or other similar actions were permitted		
19 Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?		X
If "Yes," check all actions in which the hospital facility or a third party engaged:		
a <input type="checkbox"/> Reporting to credit agency(ies) b <input type="checkbox"/> Selling an individual's debt to another party c <input type="checkbox"/> Deferring, denying, or requiring a payment before providing medically necessary care due to nonpayment of a previous bill for care covered under the hospital facility's FAP d <input type="checkbox"/> Actions that require a legal or judicial process e <input type="checkbox"/> Other similar actions (describe in Section C)		
20 Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (check all that apply):		
a <input type="checkbox"/> Provided a written notice about upcoming ECAs (Extraordinary Collection Action) and a plain language summary of the FAP at least 30 days before initiating those ECAs (if not, describe in Section C) b <input checked="" type="checkbox"/> Made a reasonable effort to orally notify individuals about the FAP and FAP application process (if not, describe in Section C) c <input checked="" type="checkbox"/> Processed incomplete and complete FAP applications (if not, describe in Section C) d <input checked="" type="checkbox"/> Made presumptive eligibility determinations (if not, describe in Section C) e <input type="checkbox"/> Other (describe in Section C) f <input type="checkbox"/> None of these efforts were made		

Policy Relating to Emergency Medical Care

21 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required 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?	X	
If "No," indicate why:		
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 Section C) d <input type="checkbox"/> Other (describe in Section C)		

Part V Facility Information *(continued)*

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

Name of hospital facility or letter of facility reporting group SOUTHWEST MEMORIAL HOSPITAL

		Yes	No
22	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 type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service during a prior 12-month period		
b	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
c	<input type="checkbox"/> The hospital facility used a look-back method based on claims allowed by Medicaid, either alone or in combination with Medicare fee-for-service and all private health insurers that pay claims to the hospital facility during a prior 12-month period		
d	<input checked="" type="checkbox"/> The hospital facility used a prospective Medicare or Medicaid method		
23	During the tax year, did the hospital facility charge any FAP-eligible individual 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 Section C.	23	X
24	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual? If "Yes," explain in Section C.	24	X

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

SOUTHWEST MEMORIAL HOSPITAL:

PART V, SECTION B, LINE 5: SHS WORKED WITH CHC CONSULTING IN THE DEVELOPMENT OF ITS CHNA. SHS PROVIDED ESSENTIAL DATA AND RESOURCES NECESSARY TO INITIATE AND COMPLETE THE PROCESS, INCLUDING THE DEFINITION OF THE HOSPITAL'S STUDY AREA AND THE IDENTIFICATION OF KEY COMMUNITY STAKEHOLDERS TO BE INTERVIEWED.

CHC CONSULTING CONDUCTED THE FOLLOWING RESEARCH:

A DEMOGRAPHIC ANALYSIS OF THE STUDY AREA, UTILIZING DEMOGRAPHIC DATA FROM THE IBM WATSON HEALTH MARKET EXPERT TOOL.

A STUDY OF THE MOST RECENT HEALTH DATA AVAILABLE.

CONDUCTED ONEONONE PHONE INTERVIEWS WITH INDIVIDUALS WHO HAVE SPECIAL KNOWLEDGE OF THE COMMUNITIES, AND ANALYZED RESULTS.

FACILITATED THE PRIORITIZATION PROCESS DURING THE CHNA TEAM MEETING ON AUGUST 13, 2019. THE CHNA TEAM INCLUDED:

THE METHODOLOGY FOR EACH COMPONENT OF THIS STUDY IS SUMMARIZED IN THE FOLLOWING SECTION. IN CERTAIN CASES METHODOLOGY IS ELABORATED IN THE BODY OF THE REPORT.

ANTHONY SUDDUTH, CHIEF EXECUTIVE OFFICER

BRIDGETT JABOUR, EXECUTIVE ASSISTANT

LIESL UNGNADE, QUALITY IMPROVEMENT/RISK MANAGEMENT COORDINATOR

RHONDA HATFIELD, PATIENT FINANCIAL COORDINATOR

SHERRI WILBURN, CASE MANAGER

KAREN LABONTE, CHIEF NURSING OFFICER

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

KERRI WHITE, SR. CLINICAL OPERATIONS

SARA BARRETT, SOCIAL WORKER

SOUTHWEST MEMORIAL HOSPITAL:

PART V, SECTION B, LINE 11: THE FOUR MOST SIGNIFICANT NEEDS, AS DISCUSSED DURING THE AUGUST 13TH PRIORITIZATION MEETING, ARE LISTED BELOW:

1. CONTINUED EMPHASIS ON PHYSICIAN RECRUITMENT AND RETENTION
2. ACCESS TO AFFORDABLE CARE AND REDUCING HEALTH DISPARITIES AMONG SPECIFIC POPULATIONS

3. ACCESS TO MENTAL AND BEHAVIORAL HEALTH CARE SERVICES AND PROVIDERS

4. PREVENTION, EDUCATION AND SERVICES TO ADDRESS HIGH MORTALITY RATES, CHRONIC DISEASES, PREVENTABLE CONDITIONS AND UNHEALTHY LIFESTYLES.

PRIORITY #1: CONTINUED EMPHASIS ON PHYSICIAN RECRUITMENT AND RETENTION

MONTEZUMA COUNTY HAS A LOWER PERCENTAGE OF ADULTS WITH A PERSONAL DOCTOR

THAN THE STATE. ADDITIONALLY, MONTEZUMA COUNTY HAS A LOWER RATE OF

DENTISTS PER 100,000 POPULATION THAN THE STATE AND IN A RECENTLY COMPLETED

MEDICAL STAFF DEVELOPMENT PLAN CONDUCTED FOR SHS, DATA INDICATES A NEED

FOR ADDITIONAL PRIMARY CARE PROVIDERS WITHIN THE COMMUNITY.

DURING THE MAY 2019 HOSPITAL TRANSFORMATION PROJECT COMMUNITY MEETING,

STAKEHOLDERS DISCUSSED A NEED FOR AFTER HOUR CLINICS IN THE COMMUNITY.

ADDITIONALLY, STAKEHOLDERS DISCUSSED A LACK OF CERTAIN SPECIALTY SERVICES

IN THE COMMUNITY. ORTHOPEDIC SERVICES WERE MENTIONED AS AN INCREASING NEED

DUE TO THE AGING COMMUNITY AND RETIRING BABY BOOMERS. STAKEHOLDERS

DISCUSSED THE LIMITED DEPTH IN RESPIRATORY CARE, AS WELL AS THE

OUTMIGRATION OF CANCER PATIENTS TO DURANGO FOR ONCOLOGY SERVICES.

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

STAKEHOLDERS ALSO MENTIONED A NEED FOR A PAIN CLINIC TO CUT DOWN ON THE NUMBER OF EMERGENCY DEPARTMENT VISITS BY CHRONIC PAIN PATIENTS, AND DISCUSSED THE OUTMIGRATION OF CHRONIC PAIN PATIENTS TO GRAND JUNCTION FOR CARE. STAKEHOLDERS DISCUSSED POTENTIAL OPPORTUNITIES TO REDUCE BARRIERS TO ACCESSING CARE, SUCH AS IMPROVING FRONTEND TRIAGE IN THE EMERGENCY DEPARTMENT, REDUCING WAIT TIMES AND EXPANDING HOURS OF OPERATION IN THE LOCAL WALKIN CLINIC, IMPROVING ACCESS TO PRIMARY CARE PROVIDERS, CONNECTING HIGH EMERGENCY DEPARTMENT UTILIZERS WITH PRIMARY CARE PROVIDERS AND IMPLEMENTING A PAIN CLINIC.

PRIORITY #2: ACCESS TO AFFORDABLE CARE AND REDUCING HEALTH DISPARITIES AMONG SPECIFIC POPULATIONS

THE MEDIAN HOUSEHOLD INCOME IN MONTEZUMA COUNTY IS SIGNIFICANTLY LOWER THAN THE MEDIAN HOUSEHOLD INCOME IN THE STATE. MONTEZUMA COUNTY HAS A HIGHER UNEMPLOYMENT RATE THAN THE STATE, AND A HIGHER RATE OF FAMILIES LIVING BELOW POVERTY. THE PERCENTAGE OF CHILDREN LIVING BELOW POVERTY IN MONTEZUMA COUNTY IS HIGHER THAN THE STATE, AND THE COUNTY ALSO HAS A HIGHER RATE OF STUDENTS ELIGIBLE FOR FREE OR REDUCED PRICE LUNCH.

MONTEZUMA COUNTY ALSO HAS A HIGHER RATE OF BOTH OVERALL AND CHILD FOOD INSECURITY THAN COLORADO. ADDITIONALLY, MONTEZUMA COUNTY HAS SEVERAL HEALTH PROFESSIONAL SHORTAGE AREA DESIGNATIONS AND CENSUS TRACTBASED MEDICALLY UNDERSERVED AREA/POPULATION DESIGNATIONS, AS DEFINED BY THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES HEALTH RESOURCES AND SERVICES ADMINISTRATION (HRSA) AND A HIGHER RATE OF UNINSURED ADULTS THAN THE STATE.

DURING THE MAY 2019 HOSPITAL TRANSFORMATION PROJECT COMMUNITY MEETING, STAKEHOLDERS DISCUSSED TRANSPORTATION BARRIERS TO AND FROM PROVIDER APPOINTMENTS IN MONTEZUMA COUNTY THAT MAY CAUSE PATIENTS TO DELAY OR

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

FOREGO CARE. IT WAS ALSO MENTIONED THAT SOCIOECONOMIC STATUS MAY DETERMINE THE FREQUENCY OF VISITS TO THE EMERGENCY DEPARTMENT, WITH THE LOW INCOME POPULATION AS THE MOST FREQUENT UTILIZERS OF THE EMERGENCY ROOM. STAKEHOLDERS DISCUSSED A NEED TO ADDRESS CULTURAL CHALLENGES IN THE COMMUNITY AND SPECIFICALLY NOTED A LACK OF NAVAJO SPEAKING PROVIDERS IN MONTEZUMA COUNTY. IT WAS ALSO MENTIONED THAT THERE IS A LACK OF FOCUS ON SOCIAL DETERMINANTS IN THE COMMUNITY AND AN ASSOCIATED NEED TO BETTER ADDRESS POVERTY AND THE WORKING POOR.

PRIORITY #3: ACCESS TO MENTAL AND BEHAVIORAL HEALTH CARE SERVICES AND PROVIDERS

MONTEZUMA COUNTY HAS A LOWER RATE OF MENTAL AND BEHAVIORAL HEALTH CARE PROVIDERS PER 100,000 POPULATION THAN THE STATE. ADDITIONALLY, THE PERCENT OF ADULTS WHO EXPERIENCED 14 OR MORE DAYS OF POOR MENTAL HEALTH IN MONTEZUMA COUNTY IS HIGHER THAN THE STATE. DURING THE MAY 2019 HOSPITAL TRANSFORMATION PROJECT COMMUNITY MEETING, STAKEHOLDERS DISCUSSED A LACK OF MENTAL AND BEHAVIORAL HEALTH CARE RESOURCES AND PROVIDERS IN THE COMMUNITY. IT WAS NOTED THAT THE PROVIDERS AT AXIS INTEGRATED HEALTH MAY BE OVERWHELMED, AND STAKEHOLDERS DISCUSSED THE POTENTIAL BENEFIT OF HAVING ADDITIONAL PSYCHIATRISTS AND COUNSELORS AVAILABLE IN ADDITION TO WHAT IS CURRENTLY PROVIDED. A LACK OF DETOX CENTERS AND THE INABILITY TO SUPPORT SUBSTANCE ABUSE PATIENTS WERE SPECIFICALLY MENTIONED, AND CONCERN WAS RAISED SURROUNDING THE SIGNIFICANT RATE OF BEHAVIORAL HEALTH RELATED ALCOHOL AND SUBSTANCE ABUSE ISSUES. STAKEHOLDERS DISCUSSED THE PREVALENCE OF DEPRESSION, DEPRESSION RELATED TO CHRONIC ILLNESS, ANXIETY AND PANIC ATTACKS IN THE EMERGENCY ROOM AND MENTAL ILLNESS WITH DEMENTIA AS A SECONDARY DIAGNOSIS. A NEED FOR SUICIDAL IDEATION PLANS FOR PATIENTS WAS

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

ALSO EMPHASIZED, AND STAKEHOLDERS ALSO DISCUSSED THE NECESSITY OF A SOCIAL WORKER IN THE EMERGENCY DEPARTMENT. STAKEHOLDERS DISCUSSED POTENTIAL OPPORTUNITIES TO REDUCE BARRIERS TO ACCESSING MENTAL AND BEHAVIORAL HEALTH CARE, SUCH AS MORE PSYCHOSOCIAL SUPPORT IN THE EMERGENCY DEPARTMENT (I.E., PROVIDING A SOCIAL WORKER IN THE HOSPITAL), STAFFING A HOSPITAL MENTAL HEALTH PROVIDER, PURSUING GRANT FUNDING FOR SOBER LIVING HOUSING, MARIJUANA TAX REVENUE FOR DETOX AND REHABILITATION PROGRAMS AND PROVIDING FUNDING FOR A PHYSICIAN IN THE DETENTION CENTER.

PRIORITY #4: PREVENTION, EDUCATION AND SERVICES TO ADDRESS HIGH MORTALITY RATES, CHRONIC DISEASES, PREVENTABLE CONDITIONS AND UNHEALTHY LIFESTYLES

DATA SUGGESTS THAT HIGHER RATES OF SPECIFIC MORTALITY CAUSES AND UNHEALTHY BEHAVIORS WARRANTS A NEED FOR INCREASED PREVENTIVE EDUCATION AND SERVICES TO IMPROVE THE HEALTH OF THE COMMUNITY. CANCER AND HEART DISEASE ARE THE TWO LEADING CAUSES OF DEATH IN MONTEZUMA COUNTY AND THE STATE. MONTEZUMA COUNTY HAS HIGHER MORTALITY RATES THAN COLORADO FOR MALIGNANT NEOPLASMS; CHRONIC LIVER DISEASE AND CIRRHOSIS; ACCIDENTS; SUICIDE; DIABETES MELLITUS; NEPHRITIS, NEPHROSIS, NEPHROTIC SYNDROME; PROSTATE CANCER; LUNG AND BRONCHUS CANCER AND COLON AND RECTUM CANCER. MONTEZUMA COUNTY HAS HIGHER RATES OF COMMUNICABLE DISEASES, SUCH AS CHLAMYDIA AND GONORRHEA, THAN THE STATE. MONTEZUMA COUNTY HAS HIGHER RATES OF CHRONIC CONDITIONS AND UNHEALTHY LIFESTYLE BEHAVIORS SUCH AS DIABETES (ADULT), OBESITY, ASTHMA, ARTHRITIS, PHYSICAL INACTIVITY, SMOKING AND MARIJUANA USE THAN THE STATE. DATA ALSO SUGGESTS THAT RESIDENTS MAY NOT BE SEEKING NECESSARY PREVENTIVE CARE SERVICES, SUCH AS MAMMOGRAMS. WITH REGARDS TO MATERNAL AND CHILD HEALTH, SPECIFICALLY, MONTEZUMA COUNTY HAS HIGHER PERCENTAGES OF

Part V Facility Information (continued)

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

INADEQUATE PRENATAL CARE, MOTHERS WHO SMOKED DURING PREGNANCY AND LOW BIRTH WEIGHT BIRTHS THAN THE STATE. DATA ALSO SUGGESTS THAT MONTEZUMA COUNTY ADULTS MAY NOT BE SEEKING PREVENTIVE CARE SERVICES IN AN APPROPRIATE MANNER, SUCH AS MAMMOGRAMS, PROSTATE CANCER SCREENINGS, PAP TEST SCREENINGS, COLORECTAL CANCER SCREENINGS AND THE INFLUENZA VACCINE. DURING THE MAY 2019 HOSPITAL TRANSFORMATION PROJECT COMMUNITY MEETING, STAKEHOLDERS DISCUSSED THE LACK OF PUBLIC KNOWLEDGE REGARDING WHERE TO GO FOR DIFFERENT TYPES OF CARE AND THE NEED FOR MORE ADVERTISING OF HOSPITAL SERVICES. IT WAS ALSO MENTIONED THAT THERE IS A NEED FOR MORE SUPPORT GROUPS OF ALL TYPES TO BENEFIT SUBPOPULATIONS ACROSS THE COMMUNITY. AREAS OF CONCERN THAT WERE DISCUSSED INCLUDE HIGH RATES OF DIABETES, HEART DISEASE, URINARY TRACT INFECTIONS AND CHRONIC DISEASES WITHIN THE ELDERLY POPULATION. STAKEHOLDERS DISCUSSED THE OPPORTUNITY FOR THE CLINIC TO ENSURE CONSISTENT CARE AND PREVENT FURTHER DIABETIC COMPLICATIONS THROUGH THE TEACHING CURRENTLY IN PLACE, AND ALSO DISCUSSED THE ISSUES ASSOCIATED WITH HEART DISEASE IN THE COMMUNITY SUCH AS LACK OF PHYSICAL CARE, OBESITY, DIABETES AND OTHER RELATED CONDITIONS. URINARY TRACT INFECTIONS AND CHRONIC DISEASES OF THE ELDERLY WITH A HIGH NUMBER OF COMORBIDITIES WERE ALSO MENTIONED DURING THE MEETING. STAKEHOLDERS DISCUSSED POTENTIAL OPPORTUNITIES TO EDUCATE THE COMMUNITY, SUCH AS HOSPITAL EDUCATION CLASSES FOR THE PUBLIC, FURTHER EDUCATION ON WHERE TO GO FOR CARE FOR INDIVIDUALS AND LOCAL AGENCIES/COMMUNITY PARTNERS AND OUTREACH TO THE LOCAL SENIOR CENTER AND VETERANS IN THE COMMUNITY.

SOUTHWEST MEMORIAL HOSPITAL

PART V, LINE 16B, FAP APPLICATION WEBSITE:

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16j, 18e, 19e, 20a, 20b, 20c, 20d, 20e, 21c, 21d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2," "B, 3," etc.) and name of hospital facility.

WWW.SWHEALTH.ORG/FINANCIALASSISTANCE/

SOUTHWEST MEMORIAL HOSPITAL

PART V, LINE 16C, FAP PLAIN LANGUAGE SUMMARY WEBSITE:

WWW.SWHEALTH.ORG/FINANCIALASSISTANCE/

SOUTHWEST MEMORIAL HOSPITAL:

PART V, SECTION B, LINE 16J: POLICY COMMUNICATION IS INCLUDED IN THE QUARTERLY NEWSLETTER.

Part V Facility Information *(continued)*

Section D. 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? 7

Name and address	Type of Facility (describe)
1 SOUTHWEST MEMORIAL PRIMARY CARE 1311A N MILDRED RD, SUTIE B, C, D CORTEZ, CO 81321	RURAL HEALTH CLINIC
4 SOUTHWEST WALK-IN CARE 1413 N MILDRED RD CORTEZ, CO 81321	RURAL HEALTH CLINIC
6 MANCOS VALLEY HEALTH CENTER 111 RAILROAD AVENUE MANCOS, CO 81328	RURAL HEALTH CLINIC
7 SW MEMORIAL PHYSICIANS/SPECIALTY CARE 1311A N MILDRED RD, SUITE A CORTEZ, CO 81321	PHYSICIAN OFFICE
10 SOUTHWEST SCHOOL-BASED HEALTH CENTER 418 SOUTH SLIGO STREET CORTEZ, CO 81321	RURAL HEALTH CLINIC
11 SOUTHWEST MEDICAL GROUP PARK ST 111 NORTH PARK CORTEZ, CO 81321	NON-RURAL HEALTH CLINIC
12 SOUTHWEST HEALTH SYSTEM PHARMACY 1311A N MILDRED RD CORTEZ, CO 81321	NON-RURAL HEALTH CLINIC

Part VI Supplemental Information

Provide the following information.

- 1 Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b.
- 2 Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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.

PART I, LINE 3C:

IN ADDITION TO THE FPG, THE ORGANIZATION CONSIDERS MEDICAL INDIGENCY WHEN DETERMINING ELIGIBILITY FOR FINANCIAL ASSISTANCE.

PART I, LINE 7:

THE ORGANIZATION USED A COST-TO-CHARGE RATIO FOR LINES 7A. UNREIMBURSED MEDICAID AND SUBSIDIZED HEALTH SERVICES WERE CALCULATED USING THE COST REPORT AND ANALYZING THE MEDICARE RATIO OF COST TO CHARGE FOR THE RESPECTIVE COST CENTERS. THE INFORMATION FOR LINES 7E AND 7I WAS DERIVED FROM INFORMATION IN THE GENERAL LEDGER AND OTHER FINANCIAL DATA RELATED SPECIFICALLY TO THE VARIOUS TYPES OF COMMUNITY BENEFITS.

PART I, LINE 7G:

THE AMOUNTS REPORTED IN SUBSIDIZED HEALTH SERVICES INCLUDES COSTS FOR A RURAL HEALTH CLINIC.

PART III, LINE 2:

THE BAD DEBT ON LINE 2 IS REPORTED AT CHARGES. THE HEALTH SYSTEM REPORTS

Part VI Supplemental Information (Continuation)

PATIENT ACCOUNTS RECEIVABLE FOR SERVICES RENDERED AT NET REALIZABLE AMOUNTS FROM THIRD PARTY PAYERS, PATIENTS, AND OTHERS. THE HEALTH SYSTEM PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS BASED UPON A REVIEW OF OUTSTANDING RECEIVABLES, HISTORICAL COLLECTION INFORMATION AND EXISTING ECONOMIC CONDITIONS.

PART III, LINE 4:

THE FOOTNOTE TO THE ORGANIZATION'S FINANCIAL STATEMENTS THAT DESCRIBES BAD DEBT EXPENSES CAN BE FOUND ON PAGE 21-24 OF THE ATTACHED AUDITED FINANCIAL STATEMENTS.

PART III, LINE 8:

ONE HUNDRED PERCENT OF ANY SHORTFALL SHOULD BE TREATED AS COMMUNITY BENEFIT. A FACILITY MUST BE ABLE TO RECOVER ITS COSTS IN ORDER TO CONTINUE TO PROVIDE QUALITY CARE TO MEDICARE PATIENTS AND THE COMMUNITY AS A WHOLE.

SERVICES ARE PROVIDED TO PATIENTS UNDER THE MEDICARE PROGRAM KNOWING THAT NOT ALL COSTS ASSOCIATED WITH PROVIDING THESE SERVICES WILL BE RECOVERED. PROVIDING THESE SERVICES IS ESSENTIAL TO THESE PATIENTS AND THE COMMUNITY AND INCREASES THEIR ACCESS TO HEALTHCARE SERVICES. THEREFORE, THE ENTIRE MEDICARE SHORTFALL IS CONSIDERED A COMMUNITY BENEFIT.

MEDICARE ALLOWABLE COSTS OF CARE ARE BASED ON THE MEDICARE COST REPORT. THE MEDICARE COST REPORT IS COMPLETED BASED ON THE RULES AND REGULATIONS SET FORTH BY CENTERS FOR MEDICARE AND MEDICAID SERVICES.

PART III, LINE 9B:

THE ORGANIZATION REFRAINS FROM SENDING PATIENT ACCOUNTS TO COLLECTION

Part VI Supplemental Information (Continuation)

UNTIL 120 DAYS AFTER THE DATE OF THE FIRST POST-DISCHARGE BILLING STATEMENT. IF A PATIENT APPLIES FOR FINANCIAL ASSISTANCE WITHIN 240 DAYS OF THE DATE OF THE FIRST POST-DISCHARGE BILLINGS STATEMENT THE ORGANIZATION WILL PULL THE ACCOUNTS FROM COLLECTIONS.

PART VI, LINE 2:

IN ADDITION TO THE CHNA DATA COLLECTION AND ANALYSIS, INPUT IS RECEIVED FROM MEDICAL STAFF, HOSPITAL LEADERSHIP, AND THE BOARD. THE HOSPITAL ALSO REVIEWS NEEDS AS PART OF THE COLORADO MANDATED HOSPITAL TRANSFORMATION PROJECT, AND IS A PARTICIPANT IN COLORADO'S REGIONAL ACCOUNTABLE ENTITIES (RAE).

PART VI, LINE 3:

PATIENTS ARE SENT LETTERS DESCRIBING THE PROGRAMS AVAILABLE TO ASSIST WITH THEIR MEDICAL BILLS. THE LETTER EXPLAINS THE PROCESS AND THE DOCUMENTS NEEDED TO COMPLETE THE ASSISTANCE APPLICATIONS(S). THE LETTER ALSO ENCOURAGES THE PATIENT TO CHECK THEIR ELIGIBILITY WITH THEIR STATE MEDICAID OFFICE. FOLLOW-UP APPOINTMENTS ARE SCHEDULED WITH FINANCIAL COUNSELORS TO COMPLETE THE ASSISTANCE APPLICATIONS.

PART VI, LINE 4:

GEOGRAPHICALLY, THE PRIMARY SERVICE AREA (PSA) OF SWMH IS COMPRISED OF SEVEN ZIP CODES WITHIN AND AROUND MONTEZUMA COUNTY IN SOUTHWEST COLORADO. SOUTHWEST HEALTH SYSTEM INC 84-1337350. THE PSA IS SITUATED BETWEEN THE MOUNTAINS TO THE EAST AND DESERTS TO THE WEST. MONTEZUMA COUNTY IS RURAL AND HEAVILY AGRICULTURAL AND VERY DEPENDENT UPON TOURISM. ACCORDING TO A 2019 REPORT OF 2018 DATA, THE MEDIAN AGE IN MONTEZUMA COUNTY IS EXPECTED TO SLIGHTLY DECREASE OVER THE NEXT FIVE YEARS, WHILE THE MEDIAN AGE IN THE

Part VI Supplemental Information (Continuation)

STATE IS EXPECTED TO INCREASE (2019-2024). MONTEZUMA COUNTY (43.3 YEARS) HAS A CONSISTENT MEDIAN AGE WITH COLORADO (43.0 YEARS) (2019). THE MEDIAN HOUSEHOLD INCOME IN MONTEZUMA COUNTY IS EXPECTED TO DECREASE SLIGHTLY OVER THE NEXT FIVE YEARS, WHILE THE MEDIAN HOUSEHOLD INCOME IN THE STATE IS EXPECTED TO INCREASE (2019-2024).

-MONTEZUMA COUNTY (\$42,017) HAS A LOWER MEDIAN HOUSEHOLD INCOME THAN COLORADO (\$57,268) (2019).

-MONTEZUMA COUNTY (27.0%) HAS A LOWER PERCENTAGE OF RESIDENTS WITH A BACHELOR OR ADVANCED DEGREE THAN THE STATE (39.5%) (2019). UNEMPLOYMENT RATES IN MONTEZUMA COUNTY AND THE STATE REMAINED RELATIVELY STEADY BETWEEN 2016 AND 2018.

-IN 2018, MONTEZUMA COUNTY (4.7%) HAD A HIGHER UNEMPLOYMENT RATE THAN THE STATE (3.3%).

-BETWEEN 2014 AND 2016, THE PERCENT OF CHILDREN (<18 YEARS) LIVING BELOW POVERTY IN MONTEZUMA COUNTY AND COLORADO DECREASED.

-MONTEZUMA COUNTY (24.8%) HAS HIGHER PERCENTAGE OF CHILDREN (<18 YEARS) LIVING BELOW POVERTY THAN COLORADO (13.4%) (2016).

THE COUNTY HEALTH RANKINGS RANK 60 COUNTIES IN COLORADO (1 BEING THE BEST, 60 BEING THE WORST).

-MANY FACTORS GO INTO THESE RANKINGS, INCLUDING PHYSICAL ENVIRONMENT

AIR POLLUTION - PARTICULATE MATTER

DRINKING WATER VIOLATIONS

SEVERE HOUSING PROBLEMS

DRIVING ALONE TO WORK

-HEALTH BEHAVIORS:

ADULT SMOKING

ADULT OBESITY

SEXUALLY TRANSMITTED INFECTIONS

Part VI Supplemental Information (Continuation)

TEEN BIRTHS

PART VI, LINE 5:

SHS'S BOARD OF DIRECTORS IS CURRENTLY COMPRISED OF PERSONS WHO RESIDE IN THE PRIMARY SERVICE AREA (PSA) AND ARE NEITHER EMPLOYEES NOR INDEPENDENT CONTRACTORS OF SHS, WITH THE EXCEPTION OF ONE MEMBER WHO IS AN INDEPENDENT CONTRACTOR AS A CRNA. MEDICAL STAFF PRIVILEGES ARE OPEN TO ALL QUALIFIED PHYSICIANS. SURPLUS FUNDS ARE USED TO IMPROVE THE CARE OF PATIENTS. SHS HOLDS EDUCATION HEALTH SEMINARS, OPEN AT NO CHARGE TO COMMUNITY MEMBERS, AND PARTICIPATES IN HEALTH FAIRS WITH FREE AND LOW COST SCREENING EXAMS.

**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" on Form 990, Part IV, line 23.
 ▶ Attach to Form 990.
 ▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization

SOUTHWEST HEALTH SYSTEM, INC.

Employer identification number

84-1337350

Part I Questions Regarding Compensation

1a Check the appropriate box(es) if the organization provided any of the following to or for a person listed on Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.

- | | |
|--|--|
| <input type="checkbox"/> First-class or charter travel | <input type="checkbox"/> Housing allowance or residence for personal use |
| <input type="checkbox"/> Travel for companions | <input type="checkbox"/> Payments for business use of personal residence |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account | <input type="checkbox"/> Personal services (such as maid, chauffeur, chef) |

b If any of the boxes on 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

2 Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, and officers, including the CEO/Executive Director, regarding the items checked on line 1a?

3 Indicate which, if any, of the following the 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.

- | | |
|--|---|
| <input type="checkbox"/> Compensation committee | <input type="checkbox"/> Written employment contract |
| <input type="checkbox"/> Independent compensation consultant | <input checked="" type="checkbox"/> Compensation survey or study |
| <input type="checkbox"/> Form 990 of other organizations | <input checked="" type="checkbox"/> Approval by the board or compensation committee |

4 During the year, did any person listed on 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?
- b** Participate in or receive payment from a supplemental nonqualified retirement plan?
- c** Participate in or receive payment from an equity-based compensation arrangement?
- If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III.

Only section 501(c)(3), 501(c)(4), and 501(c)(29) organizations must complete lines 5-9.

5 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
- b** Any related organization?
- If "Yes" on line 5a or 5b, describe in Part III.

6 For persons listed on 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?
- b** Any related organization?
- If "Yes" on line 6a or 6b, describe in Part III.

7 For persons listed on Form 990, Part VII, Section A, line 1a, did the organization provide any nonfixed payments not described on lines 5 and 6? If "Yes," describe in Part III

8 Were any amounts reported on 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

9 If "Yes" on line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1b		
2		
4a		X
4b		X
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9		

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

Schedule J (Form 990) 2021

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 on 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 aren't 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 and/or 1099-NEC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation in column (B) reported as deferred on prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1) BEN CARELOCK CHIEF OF STAFF	(i)	245,130.	0.	31,522.	4,599.	15,028.	296,279.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(2) JOHN BROOKS, ESQ. LEGAL	(i)	151,992.	0.	0.	0.	0.	151,992.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(3) BRADEN JONES CLINIC PHYSICIAN	(i)	600,000.	0.	98,356.	5,800.	15,013.	719,169.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(4) ERIN SCHMITT CLINIC PHYSICIAN	(i)	429,000.	0.	69,139.	5,800.	13,766.	517,705.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(5) KEVIN MATTESON CLINIC PHYSICIAN	(i)	493,086.	20,000.	15,383.	4,690.	15,028.	548,187.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(6) KENTON ASCHE HOSPITAL PHYSICIAN	(i)	331,352.	0.	107,802.	5,598.	14,041.	458,793.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
(7) DOUGLAS BAGGE HOSPITAL PHYSICIAN	(i)	418,870.	0.	53,895.	5,800.	21,220.	499,785.	0.
	(ii)	0.	0.	0.	0.	0.	0.	0.
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III Supplemental Information

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.

PART I, LINE 3

BEGINNING IN APRIL 2018, SHS ENTERED INTO A MANAGEMENT AGREEMENT WITH
COMMUNITY HEALTH CONSULTING (CHC). CHC REVIEWS MANAGEMENT'S
COMPENSATION USING METHODS IN SCHEDULE J, PART 1, LINE 3.

Supplemental Information on Tax-Exempt Bonds

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.**
▶ **Attach to Form 990.** ▶ **Go to www.irs.gov/Form990 for instructions and the latest information.**

Name of the organization **SOUTHWEST HEALTH SYSTEM, INC.** Employer identification number **84-1337350**

Part I Bond Issues											
SEE PART VI FOR COLUMN (F) CONTINUATIONS											
(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pooled financing	
						Yes	No	Yes	No	Yes	No
MONTEZUMA COUNTY, COLORADO	84-6000786	NONEAVAIL	11/15/16	39261315.	CONSTRUCT EMS FACILITY & HOSPIT		X		X		X
B											
C											
D											

Part II Proceeds										
	A		B		C		D			
1 Amount of bonds retired	3,314,886.									
2 Amount of bonds legally defeased										
3 Total proceeds of issue	39,261,315.									
4 Gross proceeds in reserve funds										
5 Capitalized interest from proceeds	456,933.									
6 Proceeds in refunding escrows										
7 Issuance costs from proceeds	791,139.									
8 Credit enhancement from proceeds										
9 Working capital expenditures from proceeds										
10 Capital expenditures from proceeds	29,448,982.									
11 Other spent proceeds	8,564,261.									
12 Other unspent proceeds										
13 Year of substantial completion										
	Yes	No	Yes	No	Yes	No	Yes	No		
14 Were the bonds issued as part of a refunding issue of tax-exempt bonds (or, if issued prior to 2018, a current refunding issue)?		X								
15 Were the bonds issued as part of a refunding issue of taxable bonds (or, if issued prior to 2018, an advance refunding issue)?	X									
16 Has the final allocation of proceeds been made?		X								
17 Does the organization maintain adequate books and records to support the final allocation of proceeds?		X								

Part III Private Business Use								
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?		X						
2 Are there any lease arrangements that may result in private business use of bond-financed property?		X						
3a Are there any management or service contracts that may result in private business use of bond-financed property?		X						
b If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?								
c Are there any research agreements that may result in private business use of bond-financed property?		X						
d If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property? ...								
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government00 %		%		%		%
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government00 %		%		%		%
6 Total of lines 4 and 500 %		%		%		%
7 Does the bond issue meet the private security or payment test?		X						
8a Has there been a sale or disposition of any of the bond-financed property to a non-governmental person other than a 501(c)(3) organization since the bonds were issued?		X						
b If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of		%		%		%		%
c If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?								
9 Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?		X						

Part IV Arbitrage								
	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
1 Has the issuer filed Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate?		X						
2 If "No" to line 1, did the following apply?								
a Rebate not due yet?		X						
b Exception to rebate?		X						
c No rebate due?		X						
If "Yes" to line 2c, provide in Part VI the date the rebate computation was performed								
3 Is the bond issue a variable rate issue?	X							

Part IV Arbitrage (continued)

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
4a Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X						
b Name of provider								
c Term of hedge								
d Was the hedge superintegrated?								
e Was the hedge terminated?								
5a Were gross proceeds invested in a guaranteed investment contract (GIC)?		X						
b Name of provider								
c Term of GIC								
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6 Were any gross proceeds invested beyond an available temporary period?		X						
7 Has the organization established written procedures to monitor the requirements of section 148?	X							

Part V Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
Has the organization established written procedures to ensure that violations of federal tax requirements are timely identified and corrected through the voluntary closing agreement program if self-remediation isn't available under applicable regulations?	X							

Part VI Supplemental Information. Provide additional information for responses to questions on Schedule K. See instructions.

SCHEDULE K, PART I, BOND ISSUES:

(A) ISSUER NAME: MONTEZUMA COUNTY, COLORADO

(F) DESCRIPTION OF PURPOSE:

CONSTRUCT EMS FACILITY & HOSPITAL IMPROVEMENTS & REFUND BOND ISSUED 9/27/07

**SCHEDULE O
(Form 990)**

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 990-EZ or to provide any additional information.

▶ Attach to Form 990 or Form 990-EZ.

▶ Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047

2021

Open to Public
Inspection

Name of the organization

SOUTHWEST HEALTH SYSTEM, INC.

Employer identification number

84-1337350

FORM 990, PART VI, SECTION A, LINE 3:

SOUTHWEST HEALTH SYSTEM (SHS) HAS ENTERED INTO A MANAGEMENT AGREEMENT WITH
COMMUNITY HEALTH CONSULTING (CHC) TO PROVIDE MANAGEMENT SERVICES FOR THE
FACILITY. THE CEO, CFO, AND CNO ARE EMPLOYEES OF THE MANAGEMENT COMPANY.
SHS PAID CHC \$612,098 FOR SERVICES FOR THE CEO SERVICES OF ANTHONY SUDDUTH
AND JEANETTE FILPI, AND \$301,010 FOR THE CFO SERVICES OF RICK SHRADER,
\$177,901 FOR CNO KAREN LABONTE, MARY ANN ANGLE, AND LISA GATES.

FORM 990, PART VI, SECTION A, LINE 8B:

THERE ARE NO COMMITTEES THAT ARE ABLE TO ACT ON BEHALF OF THE BOARD.

FORM 990, PART VI, SECTION B, LINE 11B:

THE FORM 990 IS PREPARED BY A THIRD PARTY, REVIEWED IN DETAIL BY JULIE
LEONARD (CFO) AND JEANIE GENTRY BEFORE APPROVED. IT IS PROVIDED TO THE
GOVERNING BOARD FOR THEIR REVIEW AND COMMENT PRIOR TO FILING WITH THE IRS.

FORM 990, PART VI, SECTION B, LINE 12C:

CONFLICT OF INTEREST POLICIES COVER THE BOARD OF DIRECTORS, SENIOR
LEADERSHIP, DEPARTMENT DIRECTORS, ALL EMPLOYEES, AND VOLUNTEERS. POTENTIAL
CONFLICTS ARE REVIEWED REGULARLY AT THE LEVEL ABOVE THE INDIVIDUAL INVOLVED
AND PROHIBITS OR REQUIRES DISCLOSURE OF ANY CONFLICT. WE DO NOT SEE MANY
CHANGES LOCALLY OR ABROAD. WE CONSULT WITH ALL MEMBERS.

FORM 990, PART VI, SECTION B, LINE 15A:

BEGINNING IN APRIL 2018, SOUTHWEST HEALTH SYSTEMS (SHS) ENTERED INTO A
MANAGEMENT AGREEMENT WITH COMMUNITY HEALTH CONSULTING (CHC). CHC OVERSEES

Name of the organization

SOUTHWEST HEALTH SYSTEM, INC.

Employer identification number

84-1337350

AND REVIEWS THE COMPENSATION OF THE CEO AND CFO. THE BOARD REVIEWS THE MANAGEMENT CONTRACT. ALL OTHERS ARE REVIEWED AND APPROVED BY THE BOARD OF DIRECTORS OR CHC.

FORM 990, PART VI, SECTION C, LINE 19:

GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICIES, AND FINANCIAL STATEMENTS ARE ALL MADE AVAILABLE TO THE PUBLIC UPON REQUEST.

FORM 990 PART XII LINE 2C

NO PROCESSES HAVE CHANGED FROM PRIOR YEAR.

**SCHEDULE R
(Form 990)**

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

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

▶ Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2021

Open to Public Inspection

Name of the organization **SOUTHWEST HEALTH SYSTEM, INC.** Employer identification number **84-1337350**

Part I Identification of Disregarded Entities. Complete if the organization answered "Yes" on 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

Part II Identification of Related Tax-Exempt Organizations. Complete if the organization answered "Yes" on 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
SOUTHWEST MEMORIAL HOSPITAL FOUNDATION, INC. - 84-1200460, 1311 N MILDRED, CORTEZ, CO 81321	SUPPORT THE HOSPITAL SYSTEM	COLORADO	501(C)(3)				X

Part III Identification of Related Organizations Taxable as a Partnership. Complete if the organization answered "Yes" on 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) Disproportionate 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	

Part IV Identification of Related Organizations Taxable as a Corporation or Trust. Complete if the organization answered "Yes" on 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" on 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?

	Yes	No
a Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity		X
b Gift, grant, or capital contribution to related organization(s)		X
c Gift, grant, or capital contribution from related organization(s)	X	
d Loans or loan guarantees to or for related organization(s)		X
e Loans or loan guarantees by related organization(s)		X
f Dividends from related organization(s)		X
g Sale of assets to related organization(s)		X
h Purchase of assets from related organization(s)		X
i Exchange of assets with related organization(s)		X
j Lease of facilities, equipment, or other assets to related organization(s)		X
k Lease of facilities, equipment, or other assets from related organization(s)		X
l Performance of services or membership or fundraising solicitations for related organization(s)		X
m Performance of services or membership or fundraising solicitations by related organization(s)		X
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)		X
o Sharing of paid employees with related organization(s)		X
p Reimbursement paid to related organization(s) for expenses		X
q Reimbursement paid by related organization(s) for expenses		X
r Other transfer of cash or property to related organization(s)		X
s Other transfer of cash or property from related organization(s)		X

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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				



SOUTHWEST HEALTH SYSTEM, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

CPAs / ADVISORS



SOUTHWEST HEALTH SYSTEM, INC.

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blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Southwest Health System, Inc.
Cortez, Colorado

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Southwest Health System, Inc. (the "Health System"), which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Board of Directors
Southwest Health System, Inc.
Cortez, Colorado

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Board of Directors
Southwest Health System, Inc.
Cortez, Colorado

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2022, on our consideration of the Health System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health System's internal control over financial reporting and compliance.

Blue & Co., LLC

Louisville, Kentucky
April 14, 2022

SOUTHWEST HEALTH SYSTEM, INC.

BALANCE SHEETS DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents	\$ 11,924,325	\$ 10,604,094
Restricted cash	400,000	585,289
Short-term investments	2,296,299	2,216,936
Patient accounts receivable, net	6,879,467	5,650,993
Inventories	1,832,726	1,802,177
Prepaid expenses and other current assets	1,316,979	1,001,822
Other assets, current portion	<u>13,168</u>	<u>24,197</u>
Total current assets	24,662,964	21,885,508
Assets whose use is limited	4,650,135	4,398,200
Property and equipment, net	37,194,635	38,309,408
Other assets, net of current portion	<u>223,005</u>	<u>244,129</u>
Total assets	<u>\$ 66,730,739</u>	<u>\$ 64,837,245</u>

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET ASSETS

	2021	2020
Current liabilities		
Accounts payable	\$ 4,443,891	\$ 4,391,977
Accrued personnel costs	2,651,420	2,800,979
Accrued expenses	12,131	7,264
Estimated third-party payor settlements	4,873,870	1,615,033
Refundable advances, current portion	3,066,925	2,594,128
Current portion of long-term obligations	3,183,410	2,314,471
Total current liabilities	18,231,647	13,723,852
 Long-term liabilities		
Long-term debt, net of current portion	28,513,663	29,070,366
Deferred compensation liabilities	731,030	541,244
Refundable advances, net of current portion	-0-	3,540,104
Total long-term liabilities	29,244,693	33,151,714
 Total liabilities	47,476,340	46,875,566
 Net assets without donor restrictions	19,254,399	17,961,679
 Total liabilities and net assets	\$ 66,730,739	\$ 64,837,245

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating revenues		
Net patient service revenue	\$ 63,931,761	\$ 52,811,742
Paycheck protection program revenue	-0-	5,038,044
Provider relief fund revenue	2,876,597	5,293,145
Other operating revenue	4,031,507	2,639,314
Total operating revenues	70,839,865	65,782,245
Operating expenses		
Salaries and wages	34,316,883	29,585,771
Employee benefits and payroll taxes	5,204,882	7,015,264
Professional fees	1,661,948	2,008,957
Purchased services	5,113,191	5,195,525
Drugs and medical supplies	9,052,471	7,462,062
Other supplies	1,136,365	1,006,297
Depreciation	4,214,098	4,421,176
Repairs and maintenance	2,389,293	2,542,953
Utilities	1,052,983	985,118
Insurance	952,727	1,052,137
Rent	1,182,372	1,439,282
Interest	1,599,069	1,657,204
Provider tax	2,032,856	2,055,511
Other operating expenses	1,914,084	1,369,260
Total operating expenses	71,823,222	67,796,517
Income (loss) from operations	(983,357)	(2,014,272)
Nonoperating revenues (expenses)		
Sales tax and proceeds	2,069,420	1,690,978
Investment income (loss), net	141,673	250,723
Gain (loss) on disposal of property and equipment	(143,681)	(20,618)
Contributions	208,665	879,989
Total nonoperating revenues (expenses)	2,276,077	2,801,072
Excess revenues (expenses) and change in net assets	1,292,720	786,800
Net assets, beginning of year	17,961,679	17,174,879
Net assets, end of year	\$ 19,254,399	\$ 17,961,679

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Operating activities		
Change in net assets	\$ 1,292,720	\$ 786,800
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	4,214,098	4,421,176
Amortization of bond issue costs included in interest expense	87,014	80,935
(Gain) loss on disposal of property and equipment	143,681	20,618
Net realized gains and losses and unrealized gains and losses on investments and assets whose use is limited	(69,993)	(102,604)
Changes in operating assets and liabilities		
Patient accounts receivable	(1,228,474)	(166,078)
Inventories	(30,549)	(142,379)
Prepaid expenses and other current assets	(315,157)	468,857
Accounts payable	51,914	(131,435)
Accrued personnel costs	(149,559)	(299,281)
Accrued expenses	4,867	(27,564)
Estimated third-party payor settlements	3,258,837	1,200,209
Refundable advances	(3,067,307)	6,134,232
Deferred compensation liabilities	189,786	122,603
Net cash flows from operating activities	4,381,878	12,366,089
Investing activities		
Purchases of property and equipment	(3,246,931)	(2,971,016)
Proceeds from sale of property and equipment	3,925	-0-
Change in investments and assets whose use is limited	(261,305)	(544,334)
Change in other assets	32,153	36,555
Net cash flows from investing activities	(3,472,158)	(3,478,795)
Financing activities		
Borrowings on long-term debt	2,657,623	342,376
Principal payments on long-term debt	(2,432,401)	(2,070,453)
Net cash flows from financing activities	225,222	(1,728,077)
Net change in cash and cash equivalents	1,134,942	7,159,217
Cash, restricted cash, and cash equivalents, beginning of year	11,189,383	4,030,166
Cash, restricted cash, and cash equivalents, end of year	\$ 12,324,325	\$ 11,189,383
Reconciliation of cash and cash equivalents to the balance sheets		
Cash and cash equivalents in current assets	\$ 11,924,325	\$ 10,604,094
Restricted cash	400,000	585,289
Total cash, restricted cash, and cash equivalents	\$ 12,324,325	\$ 11,189,383
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,512,055	\$ 1,576,269

See accompanying notes to financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. NATURE OF OPERATIONS

Southwest Health System, Inc. (the "Health System") was incorporated on March 8, 1996, for the purpose of operating Southwest Memorial Hospital. The Health System operates an acute-care hospital and clinic located in Cortez, Colorado. Montezuma County Hospital District ("MCHD"), a political subdivision of the State of Colorado, on September 14, 1996, under the terms of a lease agreement, as amended, transferred the operations, including substantially all net operating assets, to the Health System.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Health System in the preparation of the financial statements are summarized below:

Financial Statement Presentation

The Financial Accounting Standards Board ("FASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for public and private companies and not-for-profit organizations that follow accounting principles generally accepted in the United States of America. The Health System follows FASB accounting and financial reporting standards in the preparation of their financial statements.

Basis of Accounting

The Health System prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when its performance obligations are satisfied, and the recognition of expenses in the period in which they occur.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, revenue, support, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Health System are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Management's Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash, Restricted Cash, and Cash Equivalents

Cash and cash equivalents include investments in highly liquid assets with maturity dates of three months or less when purchased, excluding amounts reported in assets whose use is limited. Restricted cash includes grant funding received prior to satisfaction of the associated terms and conditions present for use or repayment of the funds.

Patient Accounts Receivable and Net Patient Service Revenue

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

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

Because all of its performance obligations relate to contracts with a duration of less than one year, the Health System has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to previously are primarily related to inpatient acute care

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

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

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are valued at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") method.

Investments and Assets Whose Use Is Limited

Assets limited as to use include annual proceeds from a 0.4% sales and use tax approved by voters of MCHD for facility expansion, assets held by trustee under indenture agreement, and a board-designated fund for future capital improvements and other long-term uses, over which the Board retains control and may at its discretion subsequently use for other purposes.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the balance sheets. Investment income or loss, including unrealized gains and losses on securities, interest, and dividends is included in nonoperating gains of net assets without donor restrictions, unless the income is restricted by donor or law.

Property and Equipment

Property and equipment are recorded at cost, except for donations, which are recorded at the fair market value at the date of the donation. Property and equipment include expenditures for additions and repairs which substantially increase the useful lives of existing property and equipment. Maintenance, repairs, and minor improvements are expensed as incurred.

The property and equipment of the Health System are being depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association's *Estimated Useful Lives of Depreciable Hospital Assets*.

Statements of Operations and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses and included within the

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

line *income (loss) from operations* in the statements of operations and changes in net assets. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from *income (loss) from operations* include sales use and tax proceeds, contributions and donations, investment income or loss, and gain or loss on disposal of property and equipment.

Performance Indicator

The statements of operations and changes in net assets include *excess revenues (expenses)*. Consistent with industry practice, changes in net assets which are excluded from *excess revenues (expenses)* include, if any, 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 purposes of acquiring such assets).

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations when incurred. Advertising and marketing costs charged to operations were \$33,362 and \$82,763 for the years ended December 31, 2021 and 2020, respectively.

Claims Reserves

The Health System provides for self-insurance reserves for estimated incurred but not reported claims for its employee health plan (Note 15). The gross liability, prior to insurance coverage, is reflected on the balance sheets within accrued personnel costs. The reserve is estimated based upon historical submission and payment data, cost trends, utilization history, and other relevant factors. Adjustments to reserves are reflected in the operating results in the period in which the change in estimate is identified.

Debt Issuance Costs

Debt issuance costs are amortized over the period of the related obligation is outstanding using the effective interest method. Debt issuance costs are included within the long-term debt on the balance sheets. Amortization of debt issuance costs is included in interest expense in the accompanying financial statements.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give, if any, are reported at fair value at the date the gift is received. The gifts are reported as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Income Taxes

The Health System is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. As such, the Health System is generally exempt from income taxes. However, the Health System is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Health System and recognize a tax liability if the Health System has taken an uncertain tax position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Health System, and has concluded that as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Health System is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Sales and Use Taxes

In November, 2015, MCHD levied a 0.4% sales and use tax for a period of 15 years with the proceeds designated for the Health System. The Health System recognizes the revenue as the taxes are collected by MCHD and records a receivable for the amounts collected that have not been received from MCHD.

Risk Management

The Health System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Going Concern Evaluations

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Reclassifications

Certain 2019 amounts have been reclassified to provide for consistency with reporting of 2020 information. These reclassifications have no effect on the previously reported total change in net assets or net assets.

Subsequent Events

The Health System has evaluated events or transactions occurring subsequent to the balance sheet date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is April 14, 2022.

3. LEASE OF HOSPITAL FACILITIES

The Health System leases the property and equipment of Southwest Memorial Hospital from MCHD under a lease, as amended on November 17, 2016. The lease provides that the property and equipment of the hospital facility be leased to the Health System and will expire on September 30, 2051. In the event of expiration, termination, or default of the lease, substantially all of the assets under the lease will revert to MCHD. Under this lease, the Health System is responsible for all costs, expenses, and obligations of every kind and nature relating to the use and occupancy of the leased premises. The Health System is required to comply with all covenants imposed on MCHD by the Bond Indenture and is required to meet certain financial covenants, as defined in the lease. As consideration for this lease, the Health System is required to pay the principal, premium, interest, and all other obligations required by the Bond Indenture in addition to \$3,500 annually. In November 2015, voters of the MCHD approved a sales and use tax of 0.4%, from which the annual proceeds are to be used to reimburse the Health System for the costs of the facility expansion project and related financing costs.

4. SHORT-TERM INVESTMENTS AND ASSETS WHOSE USE IS LIMITED

Total short-term investments consist of the following at December 31, 2021 and 2020:

	2021	2020
Money market funds	\$ 59,731	\$ 71,228
Mutual funds	1,694,596	1,624,393
Exchange-traded funds	541,972	521,315
Total short-term investments	<u>\$ 2,296,299</u>	<u>\$ 2,216,936</u>

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Assets whose use is limited are reported at market value and cost that approximates market value, and consist of the following at December 31, 2021 and 2020:

	2021	2020
Certificates of deposit	\$ 382,270	\$ 377,792
Money market funds	1,852,908	1,858,305
Mutual funds	1,906,759	1,668,264
Exchange-traded funds	376,049	361,690
Sales and use tax receivable	132,149	132,149
Total assets whose use is limited	<u>\$ 4,650,135</u>	<u>\$ 4,398,200</u>

	2021	2020
Board-designated funds	\$ 1,972,164	\$ 1,910,221
Trustee-held under debt agreement	1,814,792	1,814,586
Sales and use tax receivable	132,149	132,149
Deferred compensation fund	731,030	541,244
Total assets whose use is limited	<u>\$ 4,650,135</u>	<u>\$ 4,398,200</u>

Investment income is comprised of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Dividends and interest income	\$ 93,668	\$ 185,500
Realized gains (losses) on investments	(65,395)	(88,170)
Change in market value of investments	135,388	190,774
Investment fees	(21,988)	(37,381)
Total investment income (loss), net	<u>\$ 141,673</u>	<u>\$ 250,723</u>

Board-Designated Funds

The Health System's Board of Directors designated certain assets to meet the capital asset and other long-term needs of the facility. All income amounts earned by the Board-designated funds are left to accumulate as additions to the funds.

Trustee-Held Under Debt Agreement

The trustee-held funds are restricted for the payments of principal, interest, and construction costs related to certain long-term debt agreements.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Deferred Compensation Funds

The deferred compensation funds represent assets that have accumulated under the deferred compensation plan. The Health System simply maintains the funds for the participants until they are withdrawn according to the specific terms of the deferred compensation agreement. The Health System records a liability equal to the deferred compensation assets.

Fair Value Measurements and Disclosures

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Health System has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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 December 31, 2021 and 2020.

- *Certificate of deposits*: Valued at cost which approximates fair value.
 - *Money market funds*: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
 - *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Health System are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Health System are deemed to be actively traded.
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SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

- *Exchange-traded funds (ETFs):* Valued at the closing price on the active exchange on which the individual securities are traded. Unlike mutual funds, ETFs trade like common stocks and are not required to publish and transact their daily net asset value. The ETFs held by the Health System are deemed to be actively traded.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Investments and assets whose use is limited				
Money market funds	\$ -0-	\$ 1,912,639	\$ -0-	\$ 1,912,639
Exchange-traded funds	918,021	-0-	-0-	918,021
Mutual funds				
Consumer cyclical	1,096,567	-0-	-0-	1,096,567
Diversified emerging markets	79,674	-0-	-0-	79,674
Financial services	222,026	-0-	-0-	222,026
Foreign	210,265	-0-	-0-	210,265
High-yield bond	396,319	-0-	-0-	396,319
Intermediate core-plus bond	26,230	-0-	-0-	26,230
Large cap	597,588	-0-	-0-	597,588
Mid cap	42,820	-0-	-0-	42,820
Nontraditional bond	459,657	-0-	-0-	459,657
Short-term bond	6,245	-0-	-0-	6,245
Small cap	198,985	-0-	-0-	198,985
Target date	264,979	-0-	-0-	264,979
Total mutual funds	<u>3,601,355</u>	<u>-0-</u>	<u>-0-</u>	<u>3,601,355</u>
Total assets at fair value	<u>\$ 4,519,376</u>	<u>\$ 1,912,639</u>	<u>\$ -0-</u>	<u>6,432,015</u>
Certificates of deposit				382,270
Sales and use tax receivable				132,149
Total investments and assets whose use is limited				<u><u>\$ 6,946,434</u></u>

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Investments and assets whose use is limited				
Money market funds	\$ -0-	\$ 1,929,533	\$ -0-	\$ 1,929,533
Exchange-traded funds	883,005	-0-	-0-	883,005
Mutual funds				
Basic materials	17,668	-0-	-0-	17,668
Consumer cyclical	25,641	-0-	-0-	25,641
Diversified emerging markets	83,079	-0-	-0-	83,079
Domestic core taxable	1,507,624	-0-	-0-	1,507,624
Financial services	184,965	-0-	-0-	184,965
Foreign	187,229	-0-	-0-	187,229
High-yield bond	209,095	-0-	-0-	209,095
Industrials	2,180	-0-	-0-	2,180
Intermediate core-plus bond	9,688	-0-	-0-	9,688
Large cap	451,559	-0-	-0-	451,559
Managed futures	219,770	-0-	-0-	219,770
Mid cap	18,594	-0-	-0-	18,594
Small cap	135,004	-0-	-0-	135,004
Target date	239,350	-0-	-0-	239,350
Technology	1,211	-0-	-0-	1,211
Total mutual funds	<u>3,292,657</u>	<u>-0-</u>	<u>-0-</u>	<u>3,292,657</u>
Total assets at fair value	<u>\$ 4,175,662</u>	<u>\$ 1,929,533</u>	<u>\$ -0-</u>	<u>6,105,195</u>
Certificates of deposit				377,792
Sales and use tax receivable				132,149
Total investments and assets whose use is limited				<u>\$ 6,615,136</u>

The Health System's policy is to recognize transfers between levels as of the end of the reporting period. There were no significant transfers between levels 1 and 2 during 2021 and 2020.

Risks and Uncertainties

The national and world-wide investment market conditions can be volatile. The Health System holds investment in certificates of deposit, money market funds, mutual funds, and exchange-traded funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in value, it is at least reasonable possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements. The Health System's management is currently unable to determine the effect, if any, the decline in the market conditions may ultimately have on the Health System's investment portfolio and ability to fund certain projects.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 1,047,048	\$ 1,049,233
Buildings and improvements	53,046,329	52,473,500
Fixtures and equipment	30,737,958	29,206,087
Vehicles	839,723	799,649
Construction in progress	-0-	92,763
	<u>85,671,058</u>	<u>83,621,232</u>
Less accumulated depreciation	<u>(48,476,423)</u>	<u>(45,311,824)</u>
Property and equipment, net	<u>\$ 37,194,635</u>	<u>\$ 38,309,408</u>

Impairment of Property and Equipment

The Health System 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. The Health System did not recognize a loss on impairment of property and equipment for the years ended December 31, 2021 and 2020, respectively.

Conditional Asset Retirement Obligation

FASB ASC Topic 410 ("Topic 410") clarified when an entity is required to recognize a liability for a conditional asset retirement obligation. The Health System has considered Topic 410, specifically as it relates to its legal obligation to perform asset retirement activities, such as asbestos removal, on its existing properties. The Health System believes there is an indeterminate settlement date for the asset retirement obligations, if any, because the range of time over which the Health System may settle the obligations is unknown and cannot be estimated. As a result, as of December 31, 2021 and 2020, the Health System cannot reasonably estimate a liability related to these potential asset retirement activities nor determine conclusively that a liability exists.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

6. OTHER ASSETS

Other assets consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest in net assets of Foundation	\$ 186,173	\$ 190,505
Employee notes receivable	<u>50,000</u>	<u>77,821</u>
Total other assets	236,173	268,326
Other assets, current portion	<u>(13,168)</u>	<u>(24,197)</u>
Other assets, net of current portion	<u>\$ 223,005</u>	<u>\$ 244,129</u>

The Health System records a 100 percent interest in the net assets of Southwest Memorial Hospital Foundation, Inc. (the "Foundation"). The Foundation was established to solicit contributions from the general public for the funding of capital acquisitions by the Health System. Funds are distributed to the Health System as determined by the Foundations' Board of Directors.

Employee notes receivable amounts include balances due from employees as part of a loan program offered to reimburse employees for tuition costs. Under the terms of the program, employees notes are forgiven as long as they remained employed by the Health System during the note term. The notes bear no interest and mature on various dates through April, 2023. If the employees meet the period-of-service requirement, the Health System will forgive these notes. If the employees do not meet the period-of-service requirement, the notes will be repaid on a prorata basis.

7. LONG-TERM DEBT

At December 31, 2021 and 2020, the Health System was obligated for long-term debt agreements as follows:

	<u>2021</u>	<u>2020</u>
Privately placed Montezuma County, Colorado Revenue Bonds, Southwest Memorial Hospital Project Series 2016A, due in varying monthly principal and interest payments ranging from \$46,000 to \$300,000, fixed interest rate of 4.72%, due December 2046. Secured by substantially all assets of the Health System.	\$ 29,743,458	\$ 31,890,586

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	2021	2020
Various promissory notes under a resolution to borrow with Vectra Bank, with maturity dates ranging from December 2022 to December 2025; fixed interest rates ranging from 4.50% to 5.10%. Monthly payments of principal and interest ranging from \$10,618 to 19,765. Collateralized by various equipment (carrying amounts totaling \$2,073,057 at December 31, 2021).	2,714,726	342,376
	32,458,184	32,232,962
Less current portion	(3,183,410)	(2,314,471)
Less debt issuance costs	(761,111)	(848,125)
Total long-term debt, net of current portion	\$ 28,513,663	\$ 29,070,366

Maturities of long-term debt subsequent to December 31, 2021, are as follows:

Year Ending December 31,	Principal
2022	\$ 3,183,410
2023	3,140,590
2024	3,072,430
2025	2,997,334
2026	2,592,761
Thereafter	17,471,659
Total long-term debt	\$ 32,458,184

Under the terms of the bond agreement, the Health System is required to maintain certain deposits with a trustee. These deposits are included with assets whose use is limited on the balance sheets. The agreement also requires that the Health System maintain various restrictive covenants, including limits on additional indebtedness, submission of audited financial statements, minimum days cash on hand ratio, minimum debt service coverage ratio, and maximum debt to capitalization ratio. The Health System did not meet the financial covenants related to debt service coverage as of December 31, 2018, which was considered an event of default, and also did not meet the financial covenant related to minimum liquidity for four consecutive quarters during 2018. In November, 2018, the Health System entered into a forbearance agreement with the lenders and engaged a financial consultant, as required by the covenants, to provide recommendations for operational improvement. The forbearance agreement revised the debt service and minimum liquidity covenants, which increased at intervals through June 30, 2021. Management believes the Health System was in compliance with all restrictive covenants at December 31, 2021.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Effective December 31, 2019, the forbearance agreement was amended. As part of the amendment, the Health System was extended a \$3,000,000 lease guidance facility that is to be utilized for capital improvements. In addition, the Health System was extended a \$250,000 commercial line of credit. There was no outstanding balance on the line of credit as December 31, 2021 or 2020.

8. NET PATIENT SERVICE REVENUE

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Laws and regulations concerning government programs, including Medicare and Medicaid, 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. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. The Health System believes that it is in compliance with all applicable laws and regulations.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Health System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2021 and 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Health System also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Health System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. For the years ended December 31, 2021 and 2020, adjustments were recognized due to changes in the Health System's estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years were not significant. Subsequent changes that are significant and

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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

Patients who meet the Health System's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

The Health System has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the following factors: payors, geography, service lines, method of reimbursement, and timing of when revenue is recognized. The following tables provide details of these factors.

The composition of net patient service revenue by primary payor for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Medicare	\$ 25,912,072	\$ 20,414,240
Medicaid	16,559,506	14,883,771
Commercial, managed care, and other	20,572,304	16,832,382
Self pay patients	<u>887,879</u>	<u>681,349</u>
	<u>\$ 63,931,761</u>	<u>\$ 52,811,742</u>

Revenue from patient's deductibles and coinsurance are included in the preceding categories based on the primary payor.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The composition of net patient service revenue based on its lines of business and timing of revenue recognition for the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Service Lines		
Inpatient	\$ 18,801,364	\$ 16,188,609
Outpatient	29,705,025	23,650,649
Clinical services	9,924,598	8,880,993
Ambulance	5,500,774	4,091,491
	\$ 63,931,761	\$ 52,811,742

The Health System grants credit without collateral to its patients, most of who are local residents and insured under third-party payor agreements. The mix and concentration of gross patient service revenue and patient accounts receivable at December 31, 2021 and 2020 is as follows:

	2021		2020	
	Revenues	Receivables	Revenues	Receivables
Medicare	42 %	22 %	42 %	23 %
Medicaid	29	10	29	10
Commercial, managed care, and other	24	27	24	25
Self Pay	5	41	5	42
	100 %	100 %	100 %	100 %

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

- **Medicare.** The Health System is a provider of services to patients entitled to coverage under Title XVIII ("Medicare") of the Health Insurance Act. The Health System is designated as a Critical Access Hospital ("CAH") by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Health System is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Health System's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. Clinical services are paid on a cost basis or fixed fee schedule.
- **Medicaid.** The Health System is a provider of services to patients entitled to coverage under Title XIX ("Medicaid") of the Health Insurance Act. After November 1, 2016, the Health System is reimbursed for Medicaid inpatient and outpatient services under prospectively determined rates-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

reimbursement from these programs are recorded as deductions from revenue. Outpatient services prior to November 1, 2016 related to Medicaid beneficiaries are paid at interim rates based on the Medicaid cost-to-charge ratio. Retrospective settlements based on audited cost-to-charge ratios are made periodically.

The Health System participates in the State of Colorado provider fee program, approved by the Centers for Medicare and Medicaid Services ("CMS"), under which all hospitals in the state are assessed a fee based on bed size and payor mix. The state of Colorado uses the fees to supplement state budget funds for the Medicaid program, which brings matching federal monies into the program, enabling the state of Colorado to fund Medicaid payments to hospitals at a higher rate than would otherwise be possible. The Health System recorded \$2,032,856 and \$2,055,511 in provider fees for the years ended December 31, 2021 and 2020, respectively, which are recorded as a part of operating expenses. The Health System recorded \$8,878,809 and \$7,848,659 of supplemental payments for the years ended December 31, 2021 and 2020, respectively, which are recorded as part of net patient service revenue.

- **Other.** The Health System has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Health System under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and fee schedule payments.
- **Charity Care and Uninsured Discounts.** The Health System provides care without charge or at less than its established rates to patients who meet certain criteria under its charity care policy. Because the Health System does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associating with providing care to charity patients. The ratio of cost to charges is calculated based on the Health System's total operating expenses divided by gross patient service revenue. For the years ended December 31, 2021 and 2020, the Health System incurred estimated charity costs of \$659,183 and \$873,890, respectively.

The Centers for Medicare and Medicaid Services ("CMS") has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation, CMS may suspend payment at any time without providing prior notice to the Health System. The initial suspension period is limited to 180 days. However, the payment suspension period can be extended indefinitely if the matter is under investigation by the United States Department of Health and Human Services Office of Inspector General or the United States Department of Justice. Therefore, the Health System is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact the Health System's financial position, results of operations, and cash flows.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

9. DEFINED CONTRIBUTION RETIREMENT PLANS

The Health System offers its employees a 403(b) tax deferred annuity plan. Employees are eligible to receive employer contributions on January 1 or July 1 following the date that the employee has completed one year of service and reached the age of 21. Participating employees may authorize the Health System to deduct a portion of their pay to contribute to the plan. Employee contributions are matched by the Health System up to 2% of the qualified employee salaries. For the years ended December 31, 2021 and 2020, the amount of retirement expense was \$348,591 and \$467,207, respectively.

The Health System also offers a 457 deferred compensation plan to employees meeting certain criteria. Eligible employees may elect to defer a percentage of their compensation into the plan. As the assets of the plan are still considered to be those of the Health System under IRS regulations, the balance in these accounts is included in assets whose use is limited on the balance sheets and a corresponding liability has been recorded in deferred compensation liabilities on the balance sheets.

10. OPERATING LEASES

The Health System leases certain equipment and building space under noncancelable operating leases expiring through 2026. Minimum future rental payments under these noncancelable operating leases as of December 31, 2021, are as follows:

Year Ending December 31,	Amount
2022	\$ 620,613
2023	559,212
2024	479,740
2025	440,004
2026	440,004
Total	<u>\$ 2,539,573</u>

The Health System incurred \$1,182,372 and \$1,439,282 in total rent expense for the years ended December 31, 2021 and 2020, respectively, under both cancelable and noncancelable leases.

11. CONCENTRATIONS OF CREDIT RISK

The Health System's cash balances are maintained in various bank deposit accounts. At various times during the year, the balance of these deposits may be in excess of federally insured limits. To date, the Health System has not experienced losses in any of these accounts. The Health System believes it is not exposed to any significant credit risk on cash.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

12. FUNCTIONAL EXPENSES

The Health System provides general healthcare services to residents within its geographic area. Expenses related to providing these services are broken down as follows for the years ended December 31, 2021 and 2020:

	2021		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 31,914,701	\$ 2,402,182	\$ 34,316,883
Employee benefits and payroll taxes	4,840,540	364,342	5,204,882
Professional fees	1,661,948	-0-	1,661,948
Purchased services	4,755,268	357,923	5,113,191
Drugs and medical supplies	9,052,471	-0-	9,052,471
Other supplies	1,056,819	79,546	1,136,365
Depreciation	3,919,111	294,987	4,214,098
Repairs and maintenance	2,222,042	167,251	2,389,293
Utilities	979,274	73,709	1,052,983
Insurance	886,036	66,691	952,727
Rent	1,099,606	82,766	1,182,372
Interest	1,487,134	111,935	1,599,069
Provider tax	2,032,856	-0-	2,032,856
Other operating expenses	1,780,098	133,986	1,914,084
Total operating expenses	\$ 67,687,904	\$ 4,135,318	\$ 71,823,222
	2020		
	Healthcare Services	General and Administrative	Total
Salaries and wages	\$ 27,514,767	\$ 2,071,004	\$ 29,585,771
Employee benefits and payroll taxes	6,524,196	491,068	7,015,264
Professional fees	2,008,957	-0-	2,008,957
Purchased services	4,831,838	363,687	5,195,525
Drugs and medical supplies	7,462,062	-0-	7,462,062
Other supplies	935,856	70,441	1,006,297
Depreciation	4,111,694	309,482	4,421,176
Repairs and maintenance	2,364,946	178,007	2,542,953
Utilities	916,160	68,958	985,118
Insurance	978,487	73,650	1,052,137
Rent	1,338,532	100,750	1,439,282
Interest	1,541,200	116,004	1,657,204
Provider tax	2,055,511	-0-	2,055,511
Other operating expenses	1,273,412	95,848	1,369,260
Total operating expenses	\$ 63,857,618	\$ 3,938,899	\$ 67,796,517

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Health System. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits and payroll taxes, purchased services, other supplies, depreciation, repairs and maintenance, utilities, insurance, rent, interest, and other operating expenses, which are allocated based on square footage.

13. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 11,924,325	\$ 10,604,094
Short-term investments	2,296,299	2,216,936
Patient accounts receivable, net	6,879,467	5,650,993
Other receivables	<u>503,445</u>	<u>351,835</u>
	<u>\$ 21,603,536</u>	<u>\$ 18,823,858</u>

As part of a liquidity management plan, cash in excess of daily requirements is invested in marketable securities which may be drawn upon, if necessary, to meet unexpected liquidity needs.

14. REFUNDABLE ADVANCES

During the Health System's fiscal year 2021 and 2020, Provider Relief Fund grants authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were distributed in various phases to healthcare providers impacted by the outbreak of the COVID-19 pandemic (the "Pandemic") under Catalog of Federal Domestic Assistance ("CFDA") #93.498. The Health System received qualifying grants during phase one and phase four of the Provider Relief Fund grant program. Revenues from Provider Relief Fund grants are recognized to the extent of a combination of expenses incurred to directly respond to the Pandemic, and patient revenues lost as a result of the pandemic, and are included in the statements of operations and changes in net assets as provider relief fund revenue within operating revenues. Patient revenues lost represent the deficiency of net patient service revenues recognized over the period impacted by the pandemic when compared with net patient service revenues recognized over the same period in the previous year. Per the terms of the program, the applicable time period for measurement of lost revenues must be calendar year 2021 compared with calendar year 2019, as well as calendar year 2020 compared with calendar year 2019. Provider Relief Fund grants included in refundable advances on the balance sheets represent grant funds received in excess of expenses incurred to directly respond to the Pandemic. These qualifying funds the Health System received were subject to recoupment by the grantor in the event that the conditions for recognition were not met before June 30, 2021 for phase one, and are not met before December 31, 2022 for phase four.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

The passage of the CARES Act also authorized CMS to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. For the acute care hospital and the critical access hospital, the Health System was eligible to request up to 100% and 125% of the Medicare payments amount for a six-month period, respectively. The Health System was issued the accelerated/advance payment in April 2020. Recoupment of the advance payment began in 2021 following a one-year deferral period. During the one-year period, Medicare claims submitted by the Health System continued to be reimbursed at standard rates, after which, the recoupment process began and 25% of payments for submitted claims will continue to reduce the balance of the accelerated or advance payment over an 11 month period through March 2022. Following the initial 11 month recoupment period, 50% of payments for submitted claims will be withheld to reduce the balance of the accelerated advance payments over a 6 month period through September 2022. Any outstanding balance that has not been recouped in September 2022 will be due in full from the Health System to CMS. The portion of the advance payment that has not been recouped is included in refundable advances on the balance sheets.

During April 2020, the Health System received low interest loans in the amount of \$5,038,000 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loans are unsecured, bear interest at 1%, and funds advanced under the program are subject to forgiveness, if certain criteria are met, with the remaining balance repayable within two years of disbursement. The PPP loans may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities, and interest costs during the covered period as defined by the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness. The Health System has elected to account for these loans as conditional government grants, and recognized forgiveness of the loans as grant revenue in the statements of operations and changes in net assets as of December 31, 2020. During 2021, the Health System received notice that their application for forgiveness was accepted and will not be required to repay any amounts received back under the terms of the program, as the Health System substantially met all requirements necessary for forgiveness.

At December 31, 2021 and 2020, and for the years ended, payments received, revenue recognized, and refundable advances were as follows:

	December 31, 2021			
	Refundable Advances	Payments	Revenue	Refundable Advances
	December 31, 2020	Received / (Refunded)	Recognized	December 31, 2021
Provider Relief Fund	\$ 585,289	\$ 2,291,308	\$ 2,876,597	\$ -0-
Medicare Accelerated and Advance Payment Program	5,548,943	(2,882,018)	-0-	2,666,925
Other COVID-19 federal funding	-0-	400,000	-0-	400,000
	\$ 6,134,232	\$ (190,710)	\$ 2,876,597	\$ 3,066,925

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

	December 31, 2020			
	Refundable Advances December 31, 2019	Payments Received	Revenue Recognized	Refundable Advances December 31, 2020
	December 31, 2019	Received	Recognized	December 31, 2020
Paycheck Protection Program	\$ -0-	\$ 5,038,044	\$ 5,038,044	\$ -0-
Provider Relief Fund	-0-	5,878,434	5,293,145	585,289
Medicare Accelerated and Advance Payment Program	-0-	5,548,943	-0-	5,548,943
	\$ -0-	\$ 16,465,421	\$ 10,331,189	\$ 6,134,232

15. CONTINGENCIES AND COMMITMENTS

Professional Liability

The Health System carries professional liability coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. There is additional umbrella coverage above these limits up to \$6,000,000 under a commercial insurance policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be insured. The Health System has accrued professional liability reserves of \$5,000 at both December 31, 2021 and 2020, respectively, and these amounts are included in accrued expenses on the balance sheets.

Employee Health Self-Insured Plan

The Health System is partially self-insured for health insurance. The claims under the plan continue to be accrued as the incidents that give rise to them occur. Unpaid claim accruals are based on the estimated ultimate costs of the claims, including claims administration expenses, in accordance with the Health System's past experience. The Health System has entered into reinsurance agreements with insurance companies to limit its losses on claims for health insurance. Reserves for self-insured plans were \$359,364 and \$705,943 as of December 31, 2021 and 2020, respectively, and are included in accrued personnel costs on the balance sheets. Receivable amounts have been recorded for expected insurance recoveries related to the professional liability claims in the amount of \$119,542 at both December 31, 2021 and 2020, and are included in prepaid expenses and other current assets, on the balance sheets.

Litigation, Claims, and Disputes

The Health System is susceptible to a variety of legal proceedings and claims by others against the Health System in a variety of matters arising out of the conduct of the Health System's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

SOUTHWEST HEALTH SYSTEM, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

HIPAA

Management continues to implement policies, procedures, and a compliance–monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”) and other government statutes and regulations. The Health System’s compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

COVID-19

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts the Health System’s operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of healthcare personnel, shortages of clinical supplies, increased demand for services, delays, loss of, or reduction to, revenue, contributions and funding, and investment portfolio declines. Management believes the Health System is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.

16. RELATED PARTY TRANSACTIONS

The Health System has a management agreement with Community Hospital Consulting, Inc. (“CHC”) to provide management services. The term of the agreement was signed effective July 1, 2018 with a term of five years. Management fees and reimbursement for salaries and benefits of key executives of the Health System totaled \$1,586,869 and \$1,242,192 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, respectively, the Health System recognized a liability included in accounts payable on the balance sheets of approximately \$201,000 and \$93,000 to CHC.

17. NEW ACCOUNTING STANDARDS

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This new standard, which the Health System is not required to adopt until its year ending December 31, 2022, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity’s balance sheet. The Health System is presently evaluating the effect that this ASU will have on its future financial statements, including related disclosures.



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**Report of Independent Auditors on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with Government Auditing Standards**

Board of Directors
 Southwest Health System, Inc.
 Cortez, Colorado

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Health System, Inc. (the "Health System") (a nonprofit corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of operations and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Health System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention with those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Southwest Health System, Inc.
Cortez, Colorado

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health System’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health System’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health System’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Louisville, Kentucky
April 14, 2022

SOUTHWEST HEALTH SYSTEM, INC.

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020

No findings were noted during 2021.

SOUTHWEST HEALTH SYSTEM, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020

No findings were noted during 2020.