

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Empire Health Foundation  
Spokane, Washington

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Empire Health Foundation (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Empire Health Foundation 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Empire Health Foundation 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

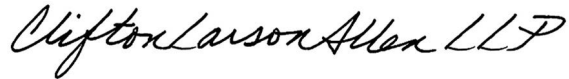
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Empire Health Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Empire Health Foundation'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.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 43 to 48 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Spokane, Washington  
August 19, 2022

**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
Cash and Cash Equivalents	\$ 5,131,513	\$ 24,759,265
Accounts Receivable, Net of Allowance for Loss of \$41,441 and \$1,441, Respectively	3,431,495	3,398,293
Pledges Receivable, Net	3,920,000	3,134,479
Grants Receivable	-	133,060
Investments	113,886,991	101,980,015
Notes and Loans Receivable	530,000	530,000
Beneficial Interest in Trusts	308,391	292,349
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	2,941,545	3,166,372
Prepaid Expense	577,124	694,752
Other Assets	144,125	143,595
	<u>\$ 130,871,184</u>	<u>\$ 138,232,180</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 2,601,222	\$ 2,063,836
Annuities Payable	50,105	48,492
Accrued Salaries, Wages, and Employee Benefits	168,774	166,802
Grants and Pledges Payable	381,503	386,746
Paycheck Protection Program Loan	-	402,566
Line of Credit Payable	21,872	-
Deferred Revenue	-	393,521
Funds Held for Others	2,331,822	17,020,790
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	96,000	83,000
Total Liabilities	<u>5,651,298</u>	<u>20,565,753</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	120,148,882	111,333,525
With Donor Restrictions	5,071,004	6,332,902
Total Net Assets	<u>125,219,886</u>	<u>117,666,427</u>
Total Liabilities and Net Assets	<u>\$ 130,871,184</u>	<u>\$ 138,232,180</u>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 1,544,797	\$ 1,738,668	\$ 3,283,465
Program Revenue	20,793,164	-	20,793,164
Investment Income, Net of Expenses	581,620	17,198	598,818
Net Realized Gain from Investments	6,638,106	22,045	6,660,151
Net Unrealized Gain from Investments	4,834,295	11,802	4,846,097
Other Income	757,747	-	757,747
Distributions	-	(17,912)	(17,912)
Net Assets Released from Restrictions	<u>3,033,699</u>	<u>(3,033,699)</u>	<u>-</u>
Total Revenue and Support	38,183,428	(1,261,898)	36,921,530
<b>EXPENSES</b>			
Grants Expenses	3,197,706	-	3,197,706
Provider Services	17,981,254	-	17,981,254
Salaries, Payroll Taxes, and Benefits	5,186,454	-	5,186,454
Professional Services	1,453,801	-	1,453,801
Rent and Office Expenses	660,491	-	660,491
Other General and Administrative Expenses	451,208	-	451,208
Depreciation of Fixed Assets	228,457	-	228,457
Excise and Property Taxes	116,768	-	116,768
Interest Expense	945	-	945
Bad Debt Expense	40,000	-	40,000
Trailing: Other EHS Trailing Administration Expenses	<u>50,987</u>	<u>-</u>	<u>50,987</u>
Total Expenses	<u>29,368,071</u>	<u>-</u>	<u>29,368,071</u>
<b>CHANGES IN NET ASSETS</b>	8,815,357	(1,261,898)	7,553,459
Net Assets – Beginning of Year	<u>111,333,525</u>	<u>6,332,902</u>	<u>117,666,427</u>
<b>NET ASSETS – END OF YEAR</b>	<u><u>\$ 120,148,882</u></u>	<u><u>\$ 5,071,004</u></u>	<u><u>\$ 125,219,886</u></u>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 30,757	\$ 5,805,815	\$ 5,836,572
Program Revenue	19,918,241	-	19,918,241
Investment Income, Net of Expenses	574,083	18,106	592,189
Net Realized Gain from Investments	1,973,881	7,575	1,981,456
Net Unrealized Gain from Investments	8,661,685	19,377	8,681,062
Other Income	1,122,955	440	1,123,395
Distributions	-	(17,969)	(17,969)
Net Assets Released from Restrictions	1,981,622	(1,981,622)	-
Total Revenue and Support	34,263,224	3,851,722	38,114,946
<b>EXPENSES</b>			
Grants Expenses	2,810,153	-	2,810,153
Provider Services	16,716,159	-	16,716,159
Concrete Goods Deliveries	41,409	-	41,409
Salaries, Payroll Taxes, and Benefits	5,284,010	-	5,284,010
Professional Services	1,555,340	-	1,555,340
Rent and Office Expenses	508,925	-	508,925
Other General and Administrative Expenses	590,876	-	590,876
Depreciation of Fixed Assets	214,772	-	214,772
Excise and Property Taxes	39,478	-	39,478
Interest Expense	1,187	-	1,187
Trailing: Other Business Litigation	1,554	-	1,554
Trailing: Other EHS Trailing Administration Expenses	31,242	-	31,242
Total Expenses	27,795,105	-	27,795,105
<b>CHANGES IN NET ASSETS</b>	6,468,119	3,851,722	10,319,841
Net Assets – Beginning of Year	104,865,406	2,481,180	107,346,586
<b>NET ASSETS – END OF YEAR</b>	\$ 111,333,525	\$ 6,332,902	\$ 117,666,427

See accompanying Notes to Consolidated Financial Statements.



**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

	Program Services				Total Program Services	Management and General	Total
	Empire Health Foundation	Family Impact Network	Philanthropy In Action	Empire Health Community Advocacy Fund			
Grants Expenses	\$ 2,140,227	\$ 67,022	\$ 195,457	\$ 795,000	\$ 3,197,706	\$ -	\$ 3,197,706
Provider Services	-	17,981,254	-	-	17,981,254	-	17,981,254
Salaries, Payroll Taxes, and Benefits	1,389,393	1,717,395	-	582	3,107,370	2,079,084	5,186,454
Professional Services	744,408	104,158	162,589	-	1,011,155	442,646	1,453,801
Rent and Office Expenses	93,450	95,318	46	-	188,814	471,677	660,491
Other General and Administrative Expenses	25,235	27,689	3,536	-	56,460	394,748	451,208
Depreciation of Fixed Assets	-	-	-	-	-	228,457	228,457
Excise and Property Taxes	11,304	-	-	-	11,304	105,464	116,768
Interest Expense	-	-	-	-	-	945	945
Bad Debt Expense	-	40,000	-	-	40,000	-	40,000
Trailing: Other EHS Trailing Administration Expenses	-	-	-	-	-	50,987	50,987
<b>Total Functional Expenses</b>	<b>\$ 4,404,017</b>	<b>\$ 20,032,836</b>	<b>\$ 361,628</b>	<b>\$ 795,582</b>	<b>\$ 25,594,063</b>	<b>\$ 3,774,008</b>	<b>\$ 29,368,071</b>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Empire Health Foundation	Family Impact Network	Philanthropy In Action				
Grants Expenses	\$ 1,921,494	\$ 316,127	\$ 316,282	\$ 256,250	\$ 2,810,153	\$ -	\$ 2,810,153
Provider Services	-	16,716,159	-	-	16,716,159	-	16,716,159
Concrete Goods Deliveries	-	41,409	-	-	41,409	-	41,409
Salaries, Payroll Taxes, and Benefits	1,450,725	1,654,008	-	-	3,104,733	2,179,277	5,284,010
Professional Services	584,155	29,424	127,130	-	740,709	814,631	1,555,340
Rent and Office Expenses	21,728	122,167	6,236	-	150,131	358,794	508,925
Other General and Administrative Expenses	122,993	32,790	4,806	-	160,589	430,287	590,876
Depreciation of Fixed Assets	-	-	-	-	-	214,772	214,772
Excise and Property Taxes	12,971	-	1,557	-	14,528	24,950	39,478
Interest Expense	-	-	-	-	-	1,187	1,187
Trailing: Other Business Litigation	-	-	-	-	-	1,554	1,554
Trailing: Other EHS Trailing Administration Expenses	-	-	-	-	-	31,242	31,242
<b>Total Functional Expenses</b>	<b>\$ 4,114,066</b>	<b>\$ 18,912,084</b>	<b>\$ 456,011</b>	<b>\$ 256,250</b>	<b>\$ 23,738,411</b>	<b>\$ 4,056,694</b>	<b>\$ 27,795,105</b>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributions and Other Revenue and Support	\$ 23,980,423	\$ 23,679,392
Net Cash Received from Agency Transactions	(14,688,968)	1,204,555
Cash Paid to Employees and Vendors	(25,299,342)	(23,126,274)
Cash Paid for Grants	(3,202,949)	(3,784,396)
Net Cash Used by Operating Activities	(19,210,836)	(2,026,723)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Notes and Loans Repaid	-	1,000,000
Purchases of Investments	(42,606,239)	(35,784,601)
Proceeds from Sale of Investments	42,747,586	37,982,918
Reinvest Investment Earnings	(576,505)	(544,056)
Purchase of Land, Building, and Equipment	(3,630)	(86,427)
Net Cash Provided (Used) by Investing Activities	(438,788)	2,567,834
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	-	777,566
Repayments of PPP Loan	-	(375,000)
Proceeds from Line of Credit	999,833	-
Repayments of Line of Credit	(977,961)	-
Net Cash Provided by Financing Activities	21,872	402,566
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(19,627,752)	943,677
Cash and Cash Equivalents – Beginning of Year	24,759,265	23,815,588
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 5,131,513	\$ 24,759,265
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 7,553,459	\$ 10,319,841
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Realized and Unrealized Gain from Investments	(11,471,818)	(10,635,156)
Gain From Beneficial Interest in Trusts	(16,042)	(9,184)
Depreciation Expense	228,457	214,772
Gain on PPP Loan Forgiveness	(402,566)	-
(Increase) Decrease in Assets:		
Accounts Receivable	(33,202)	(1,688,511)
Pledges Receivable	(785,521)	(2,134,479)
Grants Receivable	133,060	(133,060)
Prepaid Expense	117,628	29,088
Other Assets	(530)	80,966
Increase (Decrease) in Liabilities:		
Accounts Payable	537,386	733,024
Accrued Salaries, Wages, and Employee Benefits	1,972	2,197
Grants and Pledges Payable	(5,243)	(72,002)
Deferred Revenue	(393,521)	54,961
Funds Held for Others	(14,688,968)	1,204,555
Workers' Compensation Self-Insurance Liability	13,000	1,000
Annuities Payable	1,613	5,265
Total Adjustments	(26,764,295)	(12,346,564)
Net Cash Used by Operating Activities	\$ (19,210,836)	\$ (2,026,723)

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Empire Health Foundation (the Foundation or EHF) was incorporated in the state of Washington on August 22, 2008, for the purpose of continually bringing good health to life in the Greater Spokane Region through the promotion, facilitation, and/or funding of health initiatives, education, and research. The Foundation believes health is a fundamental human right and its mission to advance health equity and transform systems to improve health and quality of life is predicated on the values of diversity/equity/inclusion, compassion, innovation, collaboration, measurable impact and integrity.

The Foundation is a private foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and was formed originally to receive the net proceeds of the sale of Empire Health Services (EHS) to Community Health Systems, Inc. (CHS) on September 30, 2008. The proceeds from the sale of EHS were treated as the initial contribution to the Foundation on October 1, 2008, when the Foundation commenced operations.

As part of the transfer of proceeds of the sale of EHS to the Foundation, certain assets and liabilities of EHS were assumed by the Foundation. Liabilities assumed included amounts due under cost reimbursement programs, professional malpractice liabilities, 403(b) transition liabilities, workers' compensation self-insurance liabilities, and the defined benefit pension plan actuarial liabilities which existed as of the last day of EHS operations on September 30, 2008 (see Note 4).

Philanthropy Center LLC (PC LLC) was formed as a Washington State Limited Liability Company on July 9, 2013, for the purpose of acquiring, restoring, managing, and leasing certain real property to the Foundation, its affiliates and others. For federal tax purposes, PC LLC's operations are incorporated as a disregarded entity into the Foundation's annual Return of a Private Foundation. The Foundation is the sole member of PC LLC and exercises full financial and operational control over PC LLC through an operating agreement. As such, the Foundation has a controlling financial interest in PC LLC requiring consolidation within these consolidated financial statements.

Family Impact Network (FIN) was formed as a Washington State nonprofit corporation on June 23, 2014, for the purpose of promoting the health of families in Washington State through the promotion, conduct and/or arranging of child welfare services principally pursuant to a contract with the Washington State Department of Children, Youth, and Families (DCYF). During the three years ending 2021, FIN also provided behavioral health services for families that live on tribal reservations in Northeast Washington State. FIN is a public charity exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation is the sole member of FIN and has a controlling financial interest in FIN requiring consolidation within these consolidated financial statements.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Operations (Continued)**

Philanthropy in Action (PIA) was formed as a Washington State nonprofit corporation on February 10, 2016, for the purpose of improving the health of people in Washington State through the provision of resources, services, and funding of programs aimed at vulnerable families and individuals that address health, safety, prevention, permanency, stability, and overall well-being. From 2018 to June 30, 2021, PIA served as the agent for receiving, holding, and disbursing funds appropriated for or otherwise awarded to the Andy Hill Cancer Research Endowment (AHCRC), a state of Washington commitment to sustained investment in cancer research, prevention, and care. In 2019, PIA became the agent for receiving, holding and disbursing funds provided by Premera Blue Cross for granting to rural healthcare providers in Washington State for capital improvements. PIA is a public charity exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation is the sole member of PIA and has a controlling financial interest in PIA requiring consolidation within these consolidated financial statements.

Sunset Health LLC (SSH) was formed as a Washington State Limited Liability Company on July 25, 2019, for the purpose of acquiring, developing, managing, and leasing certain real property to others. For federal tax purposes, SSH's operations are incorporated as a disregarded entity into the Foundation's annual Return of a Private Foundation. The Foundation is the sole member of SSH and exercises full financial and operational control over SSH through an operating agreement. As such, the Foundation has a controlling financial interest in SSH requiring consolidation within these consolidated financial statements.

Empire Health Community Advocacy Fund (EHCAF) was formed as a Washington State nonprofit corporation on September 18, 2019 and operates exclusively for charitable and social welfare purposes within the meaning of IRC Section 501(c)(4). Such charitable and social welfare operations are intended to include improving public policy discourse for solutions to local health challenges. The Foundation is the sole member of EHCAF and has a controlling financial interest in EHCAF requiring consolidation within these consolidated financial statements.

**Basis of Accounting**

The consolidated entities prepare their financial statements in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards Financial Statements *of Not-for-Profit Organizations*. Under *Financial Statements of Not-for-Profit Organizations*, the consolidated entities are required to report information regarding financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions include resources that are not restricted by the donor and are available for the operations of the consolidated entities without limitation. Net assets with donor restrictions are those whose use by the consolidated entities has been limited by donors to specific time period or purpose or that have been restricted by donors to be maintained in perpetuity (see Note 5).

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Principles of Consolidation**

The accompanying 2021 and 2020 consolidated financial statements include the accounts of the Foundation in consolidation with its affiliates FIN, PIA, SSH, EHCAF and PC LLC, as of and for the years ended December 31, 2021 and 2020. All material inter-entity balances are eliminated.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include liabilities assumed from EHS and functional expense allocations. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Costs are allocated between program services, management and general, and fundraising based on evaluations of the related activities. Management and general expenses include expenses that are not directly identifiable with any other specific function, but instead provide for the overall support and direction of the organizations.

**Revenue Recognition**

Contributions, including unconditional promises to give, are recognized when received. All contributions are available for use without restriction unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at fair value, estimated using the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Unconditional promises to give are reported net of any allowance for uncollectible amounts. The consolidated entities consider all unconditional promises to give at December 31, 2021 and 2020 to be fully collectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met. No material conditional promises to give exist at December 31, 2021 and 2020.

To determine revenue recognition for the arrangements that the Organization determine are within the scope of Topic 606, the Organization performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the Organization satisfied a performance obligation.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Program revenue includes revenue related to child welfare programs and is recognized at the time the service is provided. As services are performed by providers that FIN contracts with, amounts are billed to DCYF and recognized as accounts receivable and revenue.

These same amounts are also simultaneously recognized by FIN as accounts payable and expense because the amounts are ultimately owed to the service providers. Under the contract with DCYF, FIN receives certain funds in advance and recognizes revenue over time as services are performed in accordance with the contract. These funds are included in deferred revenue on the statement of financial position (see Note 15 for more information on deferred revenue). DCYF also provides a significant portion of the funding for the Network Administrator contract on a reimbursement basis. For those expenses, revenue is recognized as the expenses are incurred.

EHF earns contract revenue by providing administrative and accounting support, principally at cost, to related entities such as FIN, BHT, Spokane Teaching Health Center Spokane Teaching Health Center (STHC), PIA and EHCAF. This revenue is recognized monthly as the services are provided. EHF and PIA also earn revenue from contracts with funders to manage grant funding programs. This revenue is recognized as services are provided (see Note 15 for more information on deferred revenue). EHF and PIA hold the managed funds until funding decisions are made and have treated the funds as agency transactions. EHF also earned revenue as the developer for J AULD APTS LLC, a tax credit subsidized rental housing project. This revenue is recognized in accordance with the terms of Development Fee Agreement for services rendered for overseeing the development and construction of the property. The developer fee of \$700,000 was substantially earned in 2020 when the project construction was completed, with the timing for payment of the fee from operational cash flows of the property spread over the years 2020 through 2026 in accordance with priority conditions as reflected in the Amended and Restated Operating Agreement.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Contract assets and liabilities consist of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Accounts Receivable (Noneliminated), Including Developer Fee:			
FIN	<u>\$ 2,974,706</u>	<u>\$ 2,012,373</u>	<u>\$ 1,342,740</u>
EHF	<u>\$ 394,843</u>	<u>\$ 1,246,013</u>	<u>\$ 404,800</u>
EHF:			
Deferred Revenue	<u>\$ -</u>	<u>\$ 393,521</u>	<u>\$ -</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
FIN:			
Deferred Revenue	\$ -	\$ -	\$ 310,303
Funds Held for Others	2,896	135,457	295,167
Total	<u>\$ 2,896</u>	<u>\$ 135,457</u>	<u>\$ 605,470</u>
	<u>2021</u>	<u>2020</u>	<u>2019</u>
PIA:			
Deferred Revenue	\$ -	\$ -	\$ 28,257
Funds Held for Others	2,328,926	16,885,333	15,521,068
Total	<u>\$ 2,328,926</u>	<u>\$ 16,885,333</u>	<u>\$ 15,549,325</u>

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the consolidated entities consider all highly liquid investments with original maturity dates of three months or less, short-term cash investments, and other highly liquid debt instruments not otherwise included in investments, if any, to be cash equivalents.

**Receivables**

Accounts receivables are recorded at the original invoice amount, less allowance for loss. At December 31, 2021 and 2020, FIN considered \$41,441 and \$1,441 of its accounts receivable, respectively, to be doubtful as to collection, recognizing a corresponding allowance for loss. Pledges receivable due within one year are recorded at net realizable value. Pledges receivable due beyond one year are recorded at present value of their estimated future cash flows. The consolidated entities consider pledges receivables at December 31, 2021 and 2020, to be fully collectible; accordingly, no allowance for loss has been recorded (see Note 13 for further detail regarding pledges receivable).

**Investments**

Investments are stated at fair value based on quoted market prices. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and unrealized appreciation (depreciation) of those investments, is shown in the consolidated statements of activities and changes in net assets (see Notes 3 and 6).



**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Notes and Loans Receivable**

Mortgage loans and other notes receivable are carried at cost, less allowance for loss. The consolidated entities consider the mortgage loans receivable at December 31, 2021 and 2020 to be fully collectible; accordingly, no allowance for loss is considered necessary (see Note 9).

**Land, Building, and Equipment**

Amounts expended in excess of \$5,000 to acquire or improve land, building and equipment are capitalized. Land, building, and equipment are carried at cost, net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years (see Note 8).

**Concentration of Risk**

The consolidated entities maintain their cash in bank deposit accounts that, at times, may exceed federally insured limits. The consolidated entities have experienced no losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

The consolidated entities' investments consist primarily of financial instruments, including cash equivalents, mutual funds, and money market funds. These financial instruments may subject the consolidated entities to concentrations of credit risk as balances exceed amounts insured by federal agencies. Management believes that risk with respect to these balances is minimal due to the high credit quality of the institutions issuing and holding the assets.

FIN receives the majority of its revenues through its contract with the DCYF and is, therefore, reliant on this contract to fulfill its charitable purposes and maintain perpetual existence.

**Employee Benefit Plans**

As part of the assumed EHS liabilities, the Foundation was responsible for a defined benefit pension plan that benefitted former employees of EHS who met the eligibility requirements as of September 30, 2008. The plan was fully terminated pursuant to Internal Revenue Service (IRS) and Department of Labor guidelines through a combination of lump sum distributions and an annuity purchase in 2015, with final administrative wind-down activities and related costs concluded in 2016. Even so, the Foundation remains potentially obligated for any plan administrative errors occurring prior to the plan termination. No such obligation is recorded at December 31, 2021 and 2020, respectively.

The Foundation established a defined contribution 401(k) retirement plan effective January 1, 2010. FIN established a defined contribution 401(k) retirement plan effective January 1, 2015 (see Note 10).

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Self-Insurance**

The Foundation self-insures for workers' compensation and professional liability exposure related to former EHS employees and operational liabilities that existed as of September 30, 2008 (see Note 4).

**Medicare/Medicaid Cost Report Settlements**

The Foundation is potentially obligated for amounts due under Medicare and Medicaid cost reimbursement programs related to former EHS operations but will also receive the benefit of cost report settlement receivables, each as existed as of September 30, 2008 (see Note 4).

**Income Tax Status**

The IRS has determined that the Foundation, FIN, and PIA are exempt from federal income tax under Section 501(c)(3) of the IRC. For federal tax purposes, PC LLC's and SSH's operations are incorporated as disregarded entities into the Foundation's annual Return of a Private Foundation.

EHF has further been designated by the IRS as a private foundation. The IRC imposes an excise tax of 1.39% on net investment income of private foundations, such as the Foundation. Certain revenues generated from alternative investment funds are subject to the federal tax on unrelated business income (UBIT). Consequently, in addition to annually filing Form 990-PF, EHF annually files Form 990-T to report its UBIT activity. EHF recorded a receivable, included in accounts receivable, of \$2,426 and \$42,119 for overpaid federal excise and UBIT taxes at each of December 31, 2021 and 2020, respectively. In addition to the excise tax imposed, private foundations are also subject to the following restrictions and requirements:

1. restrictions on self-dealing between private foundations and their substantial contributors and other disqualified persons;
2. requirements that private foundations annually distribute income for charitable purposes;
3. limits on private foundations holdings in private businesses;
4. provisions that private foundations investments must not jeopardize the carrying out of exempt purposes; and
5. provisions to assure that expenditures of private foundations further exempt purposes.

At the time of its formation, PIA was initially designated by the IRS as a 501(c)(3) tax-exempt public charity pursuant to IRC Section 170(b)(1)(A)(vi). Qualification as a public charity under this section is predicated upon an organization's revenues meeting a minimum public support test over a rolling five-year period. As of December 31, 2020, PIA has not met the public support test for its first 5 tax years of existence. Consequently, while its status as a public charity is unaffected for years 2016 through 2020, pursuant to IRS regulations, it is possible that PIA will convert to private foundation status beginning with the 2021 tax year.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Tax Status (Continued)**

While remaining a tax-exempt corporation, this conversion of status could materially impact PIA's ability to receive future funds from donors due to certain limiting restrictions and conditions upon charitable contributions to a private foundation.

The IRS has determined that EHCAF is exempt from federal income tax pursuant to Section 501(c)(4).

**Income Tax Positions**

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the consolidated financial statements.

**New Accounting Pronouncement Effective in Future Accounting Periods**

**Leases**

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding 12 months.

The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. Management has evaluated the guidance and does not expect it to have a significant impact on its future consolidated financial statements.

**Subsequent Events**

Subsequent events have been evaluated through August 19, 2022, which is the date the consolidated financial statements were available to be issued.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 2 LIQUIDITY**

Each entity within the consolidated group is responsible for its own cash management and liquidity practices, which differ between entities. Below is a table for the Foundation at the consolidated level:

	2021	2020
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 5,131,513	\$ 24,759,265
Accounts Receivable, Net	3,431,495	3,398,293
Pledges Receivable, Net	3,920,000	3,134,479
Grants Receivable	-	133,060
Investments	113,886,991	101,980,015
Notes and Loans Receivable	530,000	530,000
Beneficial Interest in Trusts	308,391	292,349
Total Financial Assets	127,208,390	134,227,461
Less: Amounts Not Available to Be Used		
Within One Year:		
Investments in Nonliquid Alternative Investments	(6,585,815)	(4,359,378)
Investments Held in Custodial Accounts	(755,037)	(625,049)
Investments Securing Charitable Remainder Trusts	(109,346)	(95,719)
Cash and Investments Held for Others	(2,331,822)	(17,020,790)
Pledges Receivable With Donor Restrictions	(2,920,000)	(3,134,479)
Other Net Assets With Donor Restrictions	(2,151,004)	(3,198,423)
Mortgages Notes Due Beyond One Year	(530,000)	(530,000)
Less: Accounts Payable (PC)	(10,650)	(9,314)
Less: Targeted for Maintenance Reserve (PC)	(62,000)	(11,248)
Deferred Revenue Related to Restricted Purposes	-	(393,521)
Amounts Restricted for Provider Payments	(2,351,449)	(2,163,284)
Financial Assets Unavailable for Use		
Within One Year	(17,807,123)	(31,541,205)
Financial Assets Available to Meet		
General Expenditures Within One Year	\$ 109,401,267	\$ 102,686,256

Following is a summary of the practices of each:

**Empire Health Foundation**

Approximately 93% of the Foundation's investments are held in marketable instruments that could be liquidated at fair value within a short period of time. The income from its investments, including capital appreciation, is used to fund program services and general expenditures. It also receives revenues without donor restrictions that fund certain program services, as well as costs incurred in the provision of providing its affiliates with leased employees and administrative services. Lastly, the Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions, which include both regranting and administrative costs.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 2 LIQUIDITY (CONTINUED)**

**Empire Health Foundation (Continued)**

The Foundation considers investment income without donor restrictions and support without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include general and administrative expenses and grant commitments expected to be paid in the subsequent year.

The Foundation manages its liquid resources to meet general expenditures following these principles:

- Investing and operating within a prudent range of financial soundness;
- Maintaining adequate liquid assets;
- Maintaining sufficient reserves.

The Foundation's board annually approves a budget for general expenditures, which budget is expressed as a percentage of the Foundation's assets and meets the minimum spending requirements of the IRS for a private foundation. The Foundation communicates this budget to its investment manager and proposes a quarterly draw schedule from its investments that will satisfy the budget requirements. The investment manager manages the investments and associated income to provide cash in accordance with the amounts and timing of the draw schedule, including from time to time liquidating a portion of the invested assets as may be necessary. As part of the annual budget process, the board also approves separate budgets for programs and services that have their own funding sources or commitments. The Foundation maintains in a savings account any major ongoing donor-restricted contributions that it has received, along with a general reserve of \$250,000 to meet any unanticipated fluctuations in the budgeted outflows.

In May 2020, the Foundation entered into a line of credit agreement with its investment manager, Bessemer Trust that enhances short-term liquidity options. The agreement is for up to \$3 million of borrowing capacity, collateralized by a pledge of securities held in Bessemer accounts. The pledged securities must have a minimum fair market value of 100% to 200% of the amount borrowed, depending on the type of security so pledged. The rate of interest applicable to the borrowed funds ranges from Prime Rate (for any amounts borrowed aggregating \$1 million or more) to Prime Rate plus 2.0% (for amounts borrowed aggregating less than \$100,000), but in no case shall the rate be less than 1.0%. Obtaining the line of credit allows the Foundation an alternative to liquidating investments to meet operational draw requirements during periods when such liquidations might otherwise be subject to inopportune market pricing. As of the date of this report, the Foundation has not drawn on this line of credit.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 2 LIQUIDITY (CONTINUED)**

**Empire Health Foundation (Continued)**

The table below presents the Foundation's financial assets available for general expenditures within one year of December 31:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 4,030,319	\$ 2,518,546
Accounts Receivable, Net	411,715	1,296,714
Pledges Receivable, Net	2,000,000	3,134,479
Investments	91,547,925	85,265,952
Notes and Loans Receivable	680,000	530,000
Beneficial Interest in Trusts	308,391	292,349
Total Financial Assets	<u>98,978,350</u>	<u>93,038,040</u>
Less: Amounts Not Available to Be Used Within One Year:		
Investments in Nonliquid Alternative Investments	(6,585,815)	(4,359,378)
Investments Held in Custodial Accounts	(755,037)	(625,049)
Investments Securing Charitable Remainder Trusts	(109,346)	(95,719)
Pledges Receivable With Donor Restrictions	(2,000,000)	(3,134,479)
Other Net Assets With Donor Restrictions	(2,090,908)	(1,491,201)
Mortgages Notes Reserved for Conversion	(680,000)	(530,000)
Deferred Revenue Related to Restricted Purposes	-	(393,521)
Financial Assets Unavailable for Use Within One Year	<u>(12,221,106)</u>	<u>(10,629,347)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 86,757,244</u>	<u>\$ 82,408,693</u>

**Philanthropy Center LLC**

PC LLC's primary source of liquidity is the rents it receives from the consolidated entities. Revenues from other sources are minimal. The established annual base lease rates are determined from an annual budget for cash expenses for PC LLC and are set at levels designed to cause the operation of PC LLC's building to break even on a cash flow basis, with no excessive accumulation of cash within the organization. PC LLC annually targets adding to a maintenance reserve for future major repairs or improvements of the building. The goal is to have cash on hand, after reduction for the maintenance reserve and current payables, sufficient to meet 30 days of average budgeted cash expenditures going forward.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 LIQUIDITY (CONTINUED)**

**Philanthropy Center LLC (Continued)**

The table below presents PC LLC's assessment of its liquidity as described above at December 31:

	2021	2020
Cash and Cash Equivalents	\$ 114,646	\$ 48,366
Less: Accounts Payable	(10,650)	(9,314)
Less: Targeted for Maintenance Reserve	(62,000)	(11,248)
Net Cash Available	<u>\$ 41,996</u>	<u>\$ 27,804</u>
30 Days Average Budgeted Cash Expenses	<u>\$ 14,760</u>	<u>\$ 18,247</u>
Percentage of Cash Target on Hand	285%	152%

Should PC LLC's cash fall below 100% of the targeted level there is a provision in the Foundation's lease with PC LLC to pay an additional variable rent amount equal to the amount of PC LLC's building operating expenses in excess of the aggregate monthly fixed base lease payments of the Foundation, FIN and other tenants, if any. No such variable rent component was required in either of the years ending December 31, 2021 and 2020.

**Philanthropy in Action**

Throughout its existence, a primary source of PIA's funding has been grants from the Foundation and funds administered on behalf of AHCRE and Premera Blue Cross. The funding from the Foundation has been generally purpose-restricted in support of the Foundation's strategic program initiatives. Consequently, these funds are committed only to the extent received and once the funds have been used there are no further commitments on the part of PIA. Funding for AHCRE was restricted for grant-making as determined by AHCRE's Governor-appointed board and said grant-making expenditures did not exceed the amount of AHCRE funds received for that purpose. AHCRE funding was terminated effective June 30, 2021 and all remaining funds returned at the direction of the funder. PIA also administers a \$5 million capital facilities grant fund to benefit rural hospitals in the state of Washington, but all such funding is purpose restricted pursuant to the terms of the governing agreement and related disbursements are subject to approval of the funder, Premera Blue Cross. This funding source allows for an indirect cost allowance of 5%, or approximately \$60,000, per year over the four-year term of the grant fund. Aside from these restricted activities, the general expenditures of PIA have totaled approximately \$15,000 and \$21,000 annually for its years ended December 31, 2021 and 2020, respectively. Due to its potential change in tax status from public charity to private foundation after 2021, it is unlikely that PIA will access additional funding in the future.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 2 LIQUIDITY (CONTINUED)**

**Philanthropy in Action (Continued)**

The table below presents PIA's financial assets available for general expenditures within one year of December 31:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 331,094	\$ 641,081
Pledges Receivable, Net	-	185,200
Investments	<u>2,126,794</u>	<u>16,714,063</u>
Total Financial Assets	<u>2,457,888</u>	<u>17,540,344</u>
Less: Amounts Not Available to be Used Within One Year:		
Cash and Investments Held for Others	(2,328,926)	(16,885,333)
Net Assets Restricted for Foundation Programs	<u>-</u>	<u>(456,772)</u>
Financial Assets Unavailable for Use Within One Year:	<u>(2,328,926)</u>	<u>(17,342,105)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 128,962</u>	<u>\$ 198,239</u>

**Sunset Health LLC**

SSH's primary sources of funding are the net operating income from the leasing of real property and member contributions by the Foundation. With respect to the leasing operation, a portion of the property owned by SSH is leased to an unrelated nonprofit which sub-leases converted units of an aging motel to residents of a sober living program. The nonprofit pays rents to SSH of \$2,000 monthly. The terms of the lease require the nonprofit to pay for all of the operating and maintenance costs of the leased property except for annual real estate taxes of approximately \$10,000. The overall vision for the SSH real property assets is to construct and operate affordable multi-family housing units. SSH is currently paying for all pre-development activity which is in an early stage and not anticipated to cost in excess of an additional \$20,000 through the end of 2022. Sources of cash available to SSH for this pre-development effort are accumulated rents received or member contributions by the Foundation, as necessary. Once pre-development efforts are complete, the Foundation and SSH will explore options to commence the construction phases in 2023 or later, including developing construction budgets, operating budgets, and financing mechanisms.

The table below presents SSH's assessment of its liquidity as described above at December 31:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 18,213	\$ 11,127
Accounts Receivable, Net	<u>-</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 18,213</u>	<u>\$ 11,127</u>



**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 2 LIQUIDITY (CONTINUED)**

**Empire Health Community Advocacy Fund**

EHCAF was formed late in 2019 and initially funded from settlement proceeds from the Foundation's lawsuit against CHS. Beginning in 2021, EHCAF has received additional funding from an unrelated nonprofit to complement certain work being done by the Foundation. Nearly 100% of EHCAF's investments are held in marketable instruments that could be liquidated at fair value within a short period of time. Unlike the Foundation, EHCAF is not subject to any minimum annual spending requirement. The income from its investments, including capital appreciation, is unrestricted. EHCAF considers its investment income and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include general and administrative expenses and grant commitments expected to be paid in the subsequent year.

EHCAF manages its liquid resources to meet general expenditures following these principles:

- Investing and operating within a prudent range of financial soundness;
- Maintaining adequate liquid assets;
- Maintaining sufficient reserves;
- Operating in accordance with an annual board-adopted budget.

The table below presents EHCAF's assessment of its liquidity as described above at December 31:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 249,207	\$ 20,597,666
Pledges Receivable, Net	1,920,000	-
Investments	<u>20,212,272</u>	<u>-</u>
Total Financial Assets	22,381,479	20,597,666
Pledges Receivable With Donor Restrictions	(920,000)	-
Other Net Assets With Donor Restrictions	<u>(50,000)</u>	<u>(900,000)</u>
Financial Assets Unavailable for Use		
Within One Year	<u>(970,000)</u>	<u>(900,000)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 21,411,479</u>	<u>\$ 19,697,666</u>

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 2 LIQUIDITY (CONTINUED)**

**Family Impact Network**

FIN strives to maintain available cash to meet 60 days of normal operating expenses, which were in 2021, on average, \$504,000 for 60 days. In 2020, normal operating expenses averaged \$483,000 for 60 days. FIN's primary source of cash is its contracts with DCYF. Regularly, FIN's cash balance includes funds that are obligated to FIN's contractual providers, and those funds are not available in support of FIN's normal operating expenses. To manage liquidity risks, FIN works to ensure that it invoices DCYF in a timely manner so that it will receive reimbursement as soon as possible. Management prepares cash projections for multiple future scenarios and reviews them with the finance committee. Budget-to-actual financial statements are presented at finance committee meetings so that the committee is aware of any unfavorable, or potentially unfavorable, variances.

FIN also has a \$500,000 line of credit with Banner Bank that it sometimes utilizes on a short-term basis if they have not received the pass-through payments from DCYF for providers, and those payments are due to providers. This line of credit is restricted to serving this purpose only and is not available to support general operating expenses.

The table below presents FIN's financial assets available to meet cash needs were calculated as:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 388,034	\$ 942,479
Accounts Receivable, Net	3,078,504	2,174,367
Pledges and Grants Receivable	60,000	133,060
Total Financial Assets	<u>3,526,538</u>	<u>3,249,906</u>
Less: Amounts Not Available to Be Used		
Within One Year:		
Amounts Restricted for Provider Payments	(2,351,449)	(1,784,804)
Amounts Held for Other, Excluding Inventory	(2,896)	(135,457)
Net Assets with Donor Restrictions	<u>(20,097)</u>	<u>(494,357)</u>
Financial Assets Unavailable for Use		
Within One Year	<u>(2,374,442)</u>	<u>(2,414,618)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 1,152,096</u>	<u>\$ 835,288</u>

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 3 INVESTMENTS**

Investments consisted of the following at December 31:

	2021	2020
Short-Term Money Market Investments	\$ 4,790,641	\$ 1,400,602
Equity Securities	20,933,038	15,720,873
Mutual Funds	55,862,844	41,553,734
U.S. Government Fixed Income Instruments	12,307,349	12,255,593
Fixed Income	10,416,127	9,255,004
Alternative Investments	6,585,815	4,359,378
Total	110,895,814	84,545,184
For Specific Purposes:		
For Benefit of Andy Hill Cancer Research Endowment:		
Short-Term Money Market Investments	-	13,218,937
For Benefit of Premera Rural Capital Facilities Fund:		
Short-Term Money Market Investments	2,126,794	3,495,126
For Net Assets with Donor Restrictions:		
Charitable Gift Annuity and Split-Interest Trusts:		
Short-Term Money Market Investments	3,225	998
Equity Securities	22,921	20,766
Mutual Funds	59,694	49,037
U.S. Government Obligations	12,281	14,764
Other Fixed Income Instruments	11,225	10,154
Workers' Compensation Self-Insurance Funds:		
Short-Term Money Market Investments	755,037	625,049
Total	2,991,177	17,434,831
Total Investments	\$ 113,886,991	\$ 101,980,015

**NOTE 4 COMMITMENTS AND CONTINGENCIES**

Related to the sale of EHS, the Foundation assumed certain liabilities as of October 1, 2008. The following are summaries of those commitments and contingencies as of December 31, 2021 and 2020:

**Litigation**

Pursuant to the sale documents that created the Foundation, those professional malpractice and general liability claims arising during the course of EHS's operations through September 30, 2008 are the Foundation's responsibility. The Foundation has obtained insurance that will provide a measure of protection in the event of future professional malpractice claims. As of the date of these financial statements, no claims of this nature have been asserted or are pending against EHF.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Litigation (Continued)**

The Organizations are a party to certain assertions and legal actions arising in the normal course of operations. Based on consultation with counsel and an evaluation of such matters, management is of the opinion that such matters are adequately covered by insurance and settlements of such matters will not have a material adverse effect upon the financial position of the Organizations.

**Workers' Compensation**

Self-insured workers' compensation liabilities, including claims incurred but not reported, that existed at EHS as of the last day of operations on September 30, 2008, are the Foundation's responsibility. The Foundation is likewise self-insured for these liabilities. The Washington State Department of Labor and Industries (the Department) annually determines the amount to be maintained in escrow in order to meet self-insurance minimum requirements. At December 31, 2021 and 2020, the balances of \$755,038 and \$625,049, respectively, were considered by the Department to be adequate. In 2021, the Department advised the Foundation that \$755,000 is the minimum allowable surety requirement until such time as the Foundation experiences 10 consecutive years without claims costs. Net claims costs incurred were \$34,091 and \$18,872 for the years ended December 31, 2021 and 2020, respectively.

Management estimates the workers' compensation liability based on losses expected to be incurred on known and incurred but not yet reported claims. The estimated workers' compensation self-insurance liability included in the consolidated statements of financial position is \$96,000 and \$83,000 at December 31, 2021 and 2020, respectively. Claims are paid when they occur and charged against the estimated liability. The Foundation pays for actual injury claims, maintenance of reserves, administrative expenses, and excess insurance premiums. No new claims were reported in 2021 or through August 19, 2022. One previously closed claim was reopened in 2021 but is fully insured by an insurance company.

**Medicare/Medicaid Cost Reports**

The Foundation is potentially and indefinitely obligated for amounts due under Medicare and Medicaid cost reimbursement programs related to former EHS operations through September 30, 2008. The filed cost reports are subject to retroactive settlement. Provision for the effects of these retroactive settlements are estimated and recorded in the consolidated statements of financial position, and later adjusted in the years in which these settlements occur. The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimates will change by a material amount. Medicare cost reports through September 30, 2008, have been audited, tentatively settled, or settled through the date of this report.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Medicare/Medicaid Cost Reports (Continued)**

In 2019, management evaluated the potential for future cost report settlement obligations and determined, based on the nature and age of its previously recorded obligations and the lack of any recent collection activity by the U.S. Centers for Medicare & Medicaid Services (CMS), that the likelihood of future CMS collection activity is remote. Consequently, for the year ended December 31, 2019, the Foundation eliminated all of its previously accrued estimated liability of \$3,118,000.

The Foundation, through a recovery specialist, from time to time pursues legal appeals and administrative re-openings for cost report years prior to October 1, 2008 that are intended to result in additional recoveries of amounts at issue in previously settled cost reports. Because the success of such efforts is difficult to predict, the Foundation recognizes the revenue from recoveries only when it receives verification that the cost reports have been adjusted in its favor. The recovery specialist is compensated at various percentages of the amounts recovered, depending on the complexity of the issue. Ongoing cost report recovery efforts in the years ended December 31, 2021 resulted in \$70,248 recognized recovery income, with associated recovery costs incurred of \$7,625. No such activity was recorded for the year ended December 31, 2020.

**Funding Commitments**

In November 2013, the Foundation assisted in the formation of Spokane Teaching Health Center (STHC), a Washington State nonprofit corporation. STHC was formed to facilitate a collaboration between the Foundation, Providence Health & Services (PH&S), and Washington State University (WSU) to expand Graduate Medical Education (GME) in Spokane. In connection with the expansion, STHC has been awarded federal grant funds through the Health Resource and Services Administration (HRSA) to support additional family and internal medicine residents. Commitments on the part of STHC to 18 HRSA-funded GME residents have been formally extended for academic years commencing with 2019/2020 and ending in 2024/2025. The Foundation and PH&S are each members of STHC and WSU has similar member-like rights, but no single organization has a controlling interest in STHC pursuant to its governing documents. The Foundation has recorded no financial interest in connection with its membership in STHC within these consolidated financial statements.

Three of the four parties to the collaboration, including the Foundation and STHC, have executed an Affiliation Agreement for Graduate Medical Education Consortium (Affiliation Agreement). The Affiliation Agreement succeeded earlier agreements and became effective January 1, 2019, and the initial term of the contract expires on June 30, 2026. The Affiliation Agreement then automatically renews for an additional five-year term ending on June 30, 2031 unless it is terminated sooner in accordance with the contract. If for any reason over the term of the Affiliation Agreement, STHC lacks the financial resources to meet its obligation to provide training for residents and pay operating expenses, the parties will, in good faith, work collaboratively to identify and secure other sources of funds as necessary for STHC to fulfill its commitments.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Funding Commitments (Continued)**

This collaborative effort shall include STHC seeking grants from the Foundation, and the STHC board taking proactive steps to secure other sources of financial support as necessary to sustain the residency programs. With regard to any such grants, the Foundation committed to using its best efforts to make available up to \$2,000,000 to STHC over the term of the Affiliation Agreement, if necessary, subject to the approval of Foundation's executive leadership and governing board. As of the date of these consolidated financial statements, the Foundation has not been requested to fund any of this contingent obligation.

**Contingent Guarantees**

In July 2019, the Foundation became a majority member of EHF JAM MM LLC, a limited liability company, which in turn is the managing member of J AULD APTS LLC, a limited liability company. J AULD APTS LLC was formed for the purpose of constructing and operating a tax credit subsidized rental housing project. The project consists of 48 units placed in service in October 2020 and located in Spokane, Washington. The completed cost of the project is approximately \$10.6 million. As a condition of its sponsorship of the project, the Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC (see Note 9). In addition, the Foundation, as sponsor/developer for the project, financially guaranteed the completion of the construction, and now provides an ongoing continuing financial guaranty of any operating deficits. Through the date of these financial statements, construction is complete, the project is fully leased and operations are proceeding according to budget. Consequently, the Foundation has not had to provide any funding pursuant to its guarantees. EHF accounts for the investment in EHF JAM MM LLC, under the equity method. The balance of the investment was \$-0- at December 31, 2021 and 2020.

**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2021	2020
Net Assets With Restrictions to be Released Over Time:		
Scholarships and Education	\$ 157,949	\$ 156,925
Population Health Initiatives	4,540,363	5,819,327
Research	64,301	64,301
	4,762,613	6,040,553
Net Assets With Donor Restrictions:		
Education	308,391	292,349
Total	\$ 5,071,004	\$ 6,332,902

\$308,391 and \$292,349 of the amount restricted for education at December 31, 2021 and 2020, respectively, consist of beneficial interests in perpetual trusts valued at the fair market value of the underlying trust assets. While the corpus of the trusts' assets is not available for the Foundation's use, trust distributions are available but restricted as to purpose.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 6 FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). 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 Plan 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 market 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at December 31, 2021 and 2020.

Following are descriptions 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.

*Short-Term Money Market Investments, Currencies, U.S. Government Obligations, Equity Securities, Fixed Income Instruments, and Mutual Funds:* Valued at the quoted market prices available on the active market on which the individual securities are traded.

*Equities and Other Fixed Income Instruments:* Valued at quoted market prices and other information available at the valuation date.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

*Beneficial Interest in Perpetual Trusts:* Valued at fair value based on unadjusted quoted market prices of the underlying investments.

*Alternative Investments:* Valued based on information received from underlying investment funds/managers adjusted for subsequent capital contributions (valued at cost), distributions, and fund accruals.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables disclose by level, within the fair value hierarchy, the Foundation's assets measured at fair value at December 31:

	2021			
	Level 1	Level 2	Level 3	Total
Short-Term Money Market	\$ 7,675,697	\$ -	\$ -	\$ 7,675,697
Government and Agency Obligations:				
U.S. Treasury Obligations	-	12,319,630	-	12,319,630
Corporation Obligations	-	9,993,538	-	9,993,538
International Obligations	-	433,814	-	433,814
Mutual Funds:				
Blend	50,996,908	-	-	50,996,908
Value	198,434	-	-	198,434
Allocation	4,727,196	-	-	4,727,196
Common Stock:				
U.S. Large Cap	15,720,776	-	-	15,720,776
International Large Cap	1,174,683	-	-	1,174,683
U.S. Medium and Small Cap	3,550,778	-	-	3,550,778
International Medium and Small Cap	509,722	-	-	509,722
Beneficial Interest in Trusts	-	-	308,391	308,391
Total Investments at Fair Value	<u>\$ 84,554,194</u>	<u>\$ 22,746,982</u>	<u>\$ 308,391</u>	107,609,567
Investments Measured at NAV:				
Private Equity				6,303,856
Real Assets				281,959
Total Investments Measured at NAV				<u>6,585,815</u>
Investments Measured at Net Realizable Value				-
Total Investments				<u>\$ 114,195,382</u>



**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2020			
	Level 1	Level 2	Level 3	Total
Short-Term Money Market	\$ 18,740,712	\$ -	\$ -	\$ 18,740,712
Government and Agency Obligations:				
U.S. Treasury Obligations	-	12,270,357	-	12,270,357
Corporation Obligations	-	8,566,011	-	8,566,011
International Obligations	-	699,147	-	699,147
Mutual Funds:				
Blend	38,056,642	-	-	38,056,642
Value	151,100	-	-	151,100
Allocation	3,395,029	-	-	3,395,029
Common Stock:				
U.S. Large Cap	11,751,052	-	-	11,751,052
International Large Cap	953,512	-	-	953,512
U.S. Medium and Small Cap	2,599,910	-	-	2,599,910
International Medium and Small Cap	437,165	-	-	437,165
Beneficial Interest in Trusts	-	-	292,349	292,349
Total Investments at Fair Value	<u>\$ 76,085,122</u>	<u>\$ 21,535,515</u>	<u>\$ 292,349</u>	97,912,986
Investments Measured at NAV:				
Private Equity				4,026,041
Real Assets				233,337
Total Investments Measured at NAV				<u>4,259,378</u>
Investments Measured at Cost				100,000
Total Investments				<u>\$ 102,272,364</u>

No financial assets were transferred between Levels 1 and 2 during the years ended December 31, 2021 and 2020. No impairment losses were recorded on Level 3 assets in 2021 or 2020.

**Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements**

The following table represents the Plan's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2021	2020		
Beneficial Interest In Trust	\$ 308,391	\$ 292,349	FMV of Trust Investments	Time Period of Trust

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)**

The Foundation had the following investments in and commitments to alternative investment funds at December 31, 2021:

	NAV		Unfunded Commitments	Redemption Schedule	Redemption Notice Period
	2021	2020			
Private Equity	\$ 6,303,856	\$ 4,026,041	\$ 1,721,471	Quarterly	95 days
Real Assets	281,959	233,337	121,411	Quarterly	95 days
Total	<u>\$ 6,585,815</u>	<u>\$ 4,259,378</u>	<u>\$ 1,842,882</u>		

No impairment losses were recorded on alternative investments in 2021 or 2020. The Foundation recorded a valuation allowance of \$100,000 in 2021 for investments measured at cost.

**NOTE 7 CHARITABLE REMAINDER TRUSTS**

The Foundation administers a single charitable remainder trust. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime).

At the end of the trust's term, the remaining assets become available for the Foundation's use, or may be shared between the Foundation and another designated beneficiary. The Foundation's charitable remainder trust was assumed through an asset transfer agreement with Deaconess & Valley Healthcare Foundation (DVHF) in 2009. The Foundation is not otherwise approved to solicit new charitable remainder trusts or charitable gift annuities.

Assets securing the charitable remainder trust obligation totaled \$109,346 and \$95,719 at December 31, 2021 and 2020, respectively, and are reported at fair market value as part of investments in the Foundation's consolidated statements of financial position (see Note 3). On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The amount of the charitable remainder trust liability was \$50,105 and \$48,492 at each of December 31, 2021 and 2020, respectively.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 8 LAND, BUILDING, AND EQUIPMENT**

Land, building, and equipment consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 319,712	\$ 319,712
Land Development	135,965	130,686
Buildings and Improvements	3,526,789	3,526,789
Furniture and Fixtures	650,805	698,114
Total	<u>4,633,271</u>	<u>4,675,301</u>
Less: Accumulated Depreciation	<u>(1,691,726)</u>	<u>(1,508,929)</u>
Balance - End of Year	<u>\$ 2,941,545</u>	<u>\$ 3,166,372</u>

Land designated as “Development” consists of undeveloped real property in Spokane, Washington, held by SSH. These parcels are in the process of a pre-development effort intended to allow for construction of permanent affordable multi-family housing units. In addition to the original acquisition cost of the parcels, the costs associated with the rezoning effort have been capitalized.

**NOTE 9 NOTES AND LOANS RECEIVABLE**

The Foundation had the following mortgage loans receivable as of December 31:

	<u>2021</u>	<u>2020</u>
J AULD APTS LLC, 2.0%, Maturing 2049, Subordinated	\$ 530,000	\$ 530,000
Total	<u>\$ 530,000</u>	<u>\$ 530,000</u>

In May of 2016, the Foundation and Catholic Charities Spokane executed a Memorandum of Understanding (MOU) outlining a collaborative effort to design and launch a family centered treatment program in Spokane. Related to the MOU, the Foundation’s board approved the making of a loan to Catholic Housing Services of Eastern Washington (an affiliate of Catholic Charities Spokane) to assist with the acquisition of certain real property in Spokane to be used to establish permanent affordable housing and other connected programs. On September 27, 2016, the Foundation made a three-year mortgage loan in the amount of \$1.6 million, with the full principal balance due at maturity in December 2019. In September of 2017, the borrower exercised its option to prepay \$600,000 of the mortgage note. The remaining loan principal and all related accrued interest was collected in full in January 2020.

Pursuant to its sponsorship and development of an affordable housing project, the Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC in 2019. The loan matures in 30 years, although it could be repaid earlier in the event of refinancing or other restructuring of the project. Accrued interest on this loan of \$24,830 and \$14,230 is included in other assets at December 31, 2021 and 2020, respectively.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 10 RETIREMENT PLAN**

Effective January 1, 2010, the Foundation established a 401(k) retirement plan, which covers substantially all employees. Participating employees receive an annual matching contribution of 100% of employee deferrals up to 6% of the employee's compensation. Expenses relating to the Foundation's plan, including employer contributions, for the years ended December 31, 2021 and 2020 were \$142,126 and \$159,814, respectively. Effective January 1, 2015, FIN established its own 401(k) retirement plan with terms substantially the same as that of the Foundation. Expenses relating to FIN's plan, including employer contributions, for the years ended December 31, 2021 and 2020 were \$69,008 and \$57,231, respectively. Neither plan is currently subject to independent audit requirements at the present time.

**NOTE 11 LEASES**

Beginning January 1, 2016, the Foundation and FIN each entered into separate, annually renewable one-year operating leases for office space with PC LLC, each now extending through December 31, 2022. It is anticipated that each entity will renew or extend its lease annually, although it is possible that either may find it necessary to relocate in the future depending on business requirements. The terms under which leases may renew beyond 2022 have not been established. Rent expense paid to PC LLC in 2021 was \$187,042 and \$31,920 by the Foundation and FIN, respectively. Rent expense paid to PC LLC in 2020 was \$123,965 and \$31,140 by the Foundation and FIN, respectively.

The Foundation's 2022 lease with PC LLC requires monthly fixed base lease payments of \$12,838. The Foundation is also contingently obligated for a variable rent amount equal to the amount of PC LLC's building operating expenses in excess of the aggregate monthly fixed lease payments of the Foundation, FIN and other tenants, if any. FIN's 2022 lease with PC LLC requires monthly fixed lease payments of \$1,921. Future minimum lease payments under the leases with PC LLC are:

<u>Year Ending December 31, 2021</u>	<u>Amount</u>
Empire Health Foundation	\$ 154,055
Family Impact Network	23,057
Total	<u>\$ 177,112</u>

In 2017, the Foundation entered into operating leases for an automobile and copiers. The terms of the leases ranged from 36 months to 60 months. The Foundation paid \$9,079 and \$10,649 for these leases in 2021 and 2020, respectively. As of December 31, 2021, only the copiers lease remains in effect.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 11 LEASES (CONTINUED)**

Future minimum lease payments under the copiers lease is:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	<u>\$ 5,428</u>
Total	<u>\$ 5,428</u>

In 2017 FIN leased additional space from unrelated party for storage of its concrete goods inventory. December of 2020 was the last month that FIN rented these space due to the fact that FIN will no longer have a concrete goods contract with DCYF after December 31, 2020. FIN paid rent of \$25,740 for these spaces during the year ending December 31, 2020.

In March of 2020, FIN entered into a lease agreement with The Barbieri Family Foundation to lease office space. This office space is located at the Empire State Building on Riverside Avenue in Spokane, Washington. FIN paid rent of \$36,438 and \$20,888 for this space for the years ending December 31, 2021 and 2020, respectively.

Future minimum lease payments pursuant to FIN's leases at Empire State Building are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	<u>\$ 39,187</u>
2023	<u>17,347</u>
Total Future Lease Commitments	<u>\$ 56,534</u>

**NOTE 12 RELATED PARTY TRANSACTIONS**

The Foundation has membership interests in each of PC LLC, Better Health Together (BHT), FIN, PIA, SSH, EHCAF, JAM MM LLC, J AULD APTS, LLC, and STHC. Regardless of whether it exercises a controlling financial interest in these entities, the Foundation considers financial activity between it and these entities to be related party transactions. Financial transactions between the entities are generally governed by written contracts, including specific grant agreements. The Foundation provides administrative and program services to BHT, FIN, PIA and STHC (discontinued after December 31, 2020) pursuant to employee lease agreements and administrative services agreements. The types and extent of services provided vary based on the structures and needs of the recipient entities, but generally consist of executive leadership, financial administration, human resources services government relations and communications support. In addition, PC LLC leases most of its premises to the Foundation and FIN. EHF also shares administrative and programmatic personnel and the primary accounting system with EHCAF, for which EHCAF reimburses the Foundation at cost.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)**

In 2021 and 2020, the following related party transactions occurred:

The Foundation paid base rent to PC LLC of \$187,042 and \$123,965 for the years ended December 31, 2021 and 2020, respectively. The Foundation made a member contribution to PC, LLC of \$109,000 during the year ended December 31, 2021. FIN paid rent to PC LLC of \$31,920 and \$31,140 for each of the years ended December 31, 2021 and 2020, respectively.

BHT paid the Foundation \$28,092 and \$23,756 pursuant to an administrative services agreement for the years ended December 31, 2021 and 2020, respectively. BHT terminated this agreement with the Foundation effective December 31, 2020. The Foundation also reimbursed expenses to BHT of \$531 in the year ended December 31, 2020.

The Foundation made a grant to FIN of \$60,000 during the year ended December 31, 2021. The Foundation advanced \$150,000 on a zero-interest unsecured line of credit during the year ended December 31, 2021. Advances under this line are due for repayment in 2023. FIN paid the Foundation \$459,216 and \$461,301 pursuant to employee lease and administrative services agreements, account software and some consulting costs for the years ended December 31, 2021 and 2020, respectively. FIN terminated the employee lease agreement effective December 31, 2021.

The Foundation made grants to PIA of \$185,200 for the year ended December 31, 2020. These grants were principally restricted for use in support of the Foundation's strategic program efforts in the year following the grants. PIA paid the Foundation \$172,510 and \$90,372 pursuant to an administrative services agreement during the years ended December 31, 2021 and 2020, respectively.

EHCAF paid the Foundation \$51,680 and \$36,998 for shared employee and accounting software costs for the year ended December 31, 2021 and 2020, respectively. EHCAF reimbursed other expenses to the Foundation of \$956 and \$1,124 for the years ended December 31, 2021 and 2020, respectively.

STHC paid the Foundation \$403,019 pursuant to employee lease and administrative services agreements for the years ended December 31, 2020. STHC terminated all such agreements with the Foundation effective December 31, 2020.

The Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC during the year ended December 31, 2019. The Foundation earned \$10,600 and \$10,629 of related interest income during the years ended December 31, 2021 and 2020, respectively. In addition, the Foundation earned \$12,492 of company management fees and \$663,926 in developer fees from the J AULD APTS project for each of the years ended December 31, 2021 and 2020, respectively. As designated agent, EHF received and passed through lending draws from the Washington Department of Commerce to J AULD APTS LLC of \$1,541,623 during the year ended December 31, 2020.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 13 PLEDGES RECEIVABLE**

In 2020 the Foundation was the recipient of a \$4.0 million purpose-restricted unconditional contribution payable in installments due over three years in support of the Foundation's Aging Services Program. The first two installments have been received and the final installment of \$1,500,000 is due in 2022. In 2018, the Foundation was the recipient of a \$2.0 million purpose-restricted unconditional contribution payable in installments over three years in support of the Foundation's Family Preservation Program. The remaining \$400,000 installment was received in 2021. Each of these grants was from the same donor. In 2021, the Foundation was the recipient of a \$500,000 purpose-restricted unconditional contribution in support of its Healing Families Focus area due in a single payment in 2022. In 2021, EHCAF was the recipient of two unconditional contributions from a single donor in support of its general operations (\$1,000,000 unrestricted) and Capital Leverage Fund (\$920,000 purpose restricted) program effort, each due in 2022. The consolidated entities have assessed these commitments as fully collectible as due per the terms of the underlying grant agreements. The remaining uncollected amounts are recorded at fair market value as follows for the years ended December 31:

	2021	2020
Due in 2021	\$ -	\$ 1,650,000
Due in 2022	3,920,000	1,500,000
Face Value	3,920,000	3,150,000
Unamortized Discount at Effective Interest Rate	-	(15,521)
Fair Market Value	\$ 3,920,000	\$ 3,134,479

**NOTE 14 GRANTS PAYABLE**

In 2017, the Foundation entered into a five-year support commitment for Catholic Charities Spokane's Rising Strong Regional Partnership: Family Centered Treatment with Housing Program (Rising Strong). The commitment was conditioned upon Catholic Charities receiving a grant from the federal Department of Health & Human Services, which was awarded in 2017. The Foundation's maximum total commitment was for \$535,000, payable in five equal annual installments of \$107,000 ending in 2021. All such annual installments have been paid. In 2020, EHF, PIA and FIN made one-time unconditional grant commitments of \$151,500, \$118,060 and \$10,186, respectively, in support of various nonprofit organizations. These 2020 commitments were subsequently paid in 2021. In 2021, EHF, PIA and EHCAF made similar unconditional one-time grant commitments of \$346,503, \$15,000 and \$20,000, respectively. These 2021 commitments were subsequently paid in 2022.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 14 GRANTS PAYABLE (CONTINUED)**

The Foundation has recorded its outstanding contractual grant obligations at fair market value as follows for the years ended December 31:

	2021	2020
Due in 2021	\$ -	\$ 386,746
Due in 2022	381,503	-
Face Value	381,503	386,746
Unamortized Discount at Effective Interest Rate	-	-
Fair Market Value	\$ 381,503	\$ 386,746

**NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS**

Following is a summary by entity of deferred revenue and funds held for others:

	Deferred Revenue		Funds Held for Others	
	2021	2020	2021	2020
Family Impact Network	\$ -	\$ -	\$ 2,896	\$ 135,457
Empire Health Foundation	-	393,521	-	-
Philanthropy In Action	-	-	2,328,926	16,885,333
Total	\$ -	\$ 393,521	\$ 2,331,822	\$ 17,020,790

In 2016, FIN entered into a \$500,000 contract with CA, now known as DCYF, to acquire, administer, and distribute an inventory of child safety and well-being products (Concrete Goods) to families served by CA's Family Assessment and Response Program. In 2017, the contract was expanded to include any unexpended funds from the prior year plus an additional \$550,000, as well as to expand the population of families served across five other programs administered through CA. Concrete Goods funds were received by FIN in advance at the outset of each contract year with the exception of \$85,000 of additional funds received in December of 2018 due to a contract amendment. In this case, purchases were made before the funds were received. The contract requires the return of any unexpended funds or inventory to CA in the event the contract is terminated by either party.

To the extent that Concrete Goods funds received represent payment for the estimated costs associated with FIN's administration of the Concrete Goods inventory, a deferred revenue liability is recognized. The deferred revenue is recognized over the life of the contract as the administrative activities occur. To the extent that the Concrete Goods funds received represent the estimated acquisition costs of the inventory itself, a liability for funds held for others is recognized. The liability for the funds held for others is relieved upon FIN's distribution of the acquired inventory to the families served.



**EMPIRE HEALTH FOUNDATION  
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**NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS (CONTINUED)**

The following is a summary of the activity for each element of FIN's Concrete Goods contract:

	Funds Held for Others	Deferred Revenue
Balance - December 31, 2019	\$ 295,167	\$ 310,303
Concrete Goods Contract Funds Received	499,639	7,887
Less Revenue Earned or Funds Relieved	<u>(659,349)</u>	<u>(318,190)</u>
Balance - December 31, 2020	135,457	-
Concrete Goods Contract Funds Received	3,732	-
Less Revenue Earned or Funds Relieved	<u>(136,293)</u>	<u>-</u>
Balance - December 31, 2021	<u><u>\$ 2,896</u></u>	<u><u>\$ -</u></u>

In 2017, the Foundation entered into a contract with the Washington State Department of Commerce (COM) to be the Program Administrator for the Andy Hill Cancer Research Endowment fund (AHCRC or the Fund). AHCRC is a legislatively created and funded effort on the part of the state of Washington to achieve sustainable investment in cancer research, prevention and care. The fund itself, including the selection and awarding of grants, is overseen by a Governor-appointed board which is separate and apart from the board of the Foundation. As the Program Administrator, the Foundation assisted the AHCRC board by providing financial and accounting management for the fund and its investments; facilitating the process of grant application, external peer review, selection, notification and performance monitoring; and distributing grant funds pursuant to and ensuring compliance with grant agreements. Pursuant to this contract, the Foundation recorded revenue, within Program Revenue, of \$535,159 and \$781,479 for the years ended December 31, 2021 and 2020, respectively. In connection with this contract, the Foundation incurred expenses of \$789,791 and \$731,285 for the years ended December 31, 2021 and 2020, respectively.

The contract was a year to year performance-based state contract considered for renewal or reapplication in conjunction with the state's fiscal year running from July 1 through June 30. For the State's fiscal year beginning July 1, 2021, COM released a request for proposal seeking competitive responses from applicants interested in the Program Administrator role.

The Foundation evaluated its historic role as Program Administrator and, in view of its current mission and focus, elected not to submit a response to COM's proposal. Consequently, the Foundation's role as Program Administrator ended on June 30, 2021 with all unearned deferred revenue returned to a COM-administered account.

In its capacity as Program Administrator, the Foundation designated PIA as the entity that held and invested AHCRC funds as an authorized local account for the purpose of grantmaking. Pursuant to the contract, these funds were not considered to be funds belonging to PIA over which PIA or the Foundation had discretion. Consequently, these funds were reported in the consolidated statements of financial position as a liability for Funds Held for Others. Given that EHF was no longer Program Administrator after June 30, 2021, unexpended grantmaking funds held at PIA were transferred in June 2021 to external accounts in accordance with COM's instructions.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS (CONTINUED)**

In June 2019, PIA entered into an agreement with Premera Blue Cross (Premera) to administer a \$5 million grant fund over four years. The purpose of the grant fund is to make awards funding short-term capital projects to hospitals, community health centers, tribal clinics and hospitals and outpatient clinics, each in rural areas within Washington State. Premera retains ultimate authority to determine the grantees and grant award amounts, resulting in an agency relationship with PIA. Pursuant to the agreement, PIA can be reimbursed for up to \$353,250 of direct costs and \$238,000 of indirect costs over the four-year term of the agreement, with the remainder of the proceeds purposed for re-granting. In August 2019, PIA received all \$5 million in a single payment from Premera, which was recorded as a liability for Funds Held for Others.

Following is a summary of the activity of the PIA Funds Held for Others for the years ended December 31:

	Funds Held AHCRC	Funds Held Premera	Funds Held Total
Balance - December 31, 2019	\$ 10,510,880	\$ 5,010,188	\$ 15,521,068
State Funds Received	4,950,000	-	4,950,000
Private Funds Received	15,000	-	15,000
Investment Income, Net of Expenses	21,333	2,974	24,307
Direct Costs Incurred	-	(97,840)	(97,840)
Indirect Costs Allowed	-	(59,525)	(59,525)
Grants Disbursed on Behalf of the Funders	(2,263,270)	(1,204,407)	(3,467,677)
Balance - December 31, 2020	13,233,943	3,651,390	16,885,333
State Funds Received	-	-	-
Private Funds Received	-	-	-
Investment Income, Net of Expenses	2	256	258
Direct Costs Incurred	-	(94,800)	(94,800)
Indirect Costs Allowed	-	(59,525)	(59,525)
Grants Disbursed on Behalf of the Funders	(952,539)	(1,168,395)	(2,120,934)
Amounts Returned at Funder Direction	(12,281,406)	-	(12,281,406)
Balance - December 31, 2021	<u>\$ -</u>	<u>\$ 2,328,926</u>	<u>\$ 2,328,926</u>

PIA received in cash a \$50,000 grant in 2019 containing provisions making the award conditional. Consequently, PIA recorded the receipt of these funds as deferred revenue. During the years ended December 31, 2020 and 2019, PIA incurred costs of \$28,257 and \$21,743, respectively, in connection with this grant and like amounts were recorded as earned and released from the deferred revenue liability in each of those years.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 16 MATTERS RELATING TO COVID PANDEMIC**

In 2020, the world experienced severe human and economic impacts from the novel coronavirus (COVID19) pandemic. These impacts included disruption of revenue sources, supply chains, employment and capital markets, as well as elevated mortality/morbidity and altered lifestyles for most world populations. Many of these impacts continued globally throughout 2021 and in to 2022. The more immediate operational impacts to the entities represented in these consolidated financial statements were principally limited to the adoption of work-at-home protocols and some minor additional related costs to accommodate staff. As of the date of these financial statements, all staff are eligible to return to work using some form of hybrid schedule that also allows for continued work at home. The Foundation did experience net unrealized losses in its investment portfolio early in the pandemic, but the portfolio recovered to produce positive returns overall for 2020 and 2021. While tenant rents at PC LLC continued uninterrupted, that entity has experienced minor revenue loss due to the facility being unavailable for lease to others for events. In 2022, other global events have occurred (for example, the war in Ukraine), making it difficult to know precisely which changing economic conditions are more connected to those events (for example, inflation), which may be lingering from the pandemic (such as supply chain and shipping issues), or which are a combination of these and others.

On May 8, 2020, EHF received a loan from Banner Bank in the amount of \$559,359 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from May 8, 2020 to October 23, 2020 is the time that a business has to spend their PPP Loan funds. After evaluating subsequent emerging guidance for this lending program, the Foundation immediately repaid \$375,000, leaving approximately \$184,000 outstanding on December 31, 2020. In 2021, the Foundation applied for and received loan forgiveness covering this balance and an additional \$216,000 of previously repaid principal.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 16 MATTERS RELATED TO COVID PANDEMIC (CONTINUED)**

On May 12, 2020, FIN received a loan from Banner Bank in the amount of \$217,020 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over twenty-four months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Company fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from 5/12/20 to 10/26/20 is the time that a business has to spend their PPP Loan funds. In 2021, FIN applied for and received loan forgiveness of the full borrowed amount of \$217,020.

The Foundation contributed to area nonprofits \$100,000 and \$220,000 in each of the years ending December 31, 2021 and 2020, respectively, in recognition of COVID19 relief efforts and activities. In addition, the Foundation incurred approximately \$14,000 of costs in 2020 attributable to COVID19, principally for assisting staff with setting up in-home office spaces.

As a result of the COVID-19 disruptions, the state of Washington has projected significant revenue shortfalls for the next three fiscal years and the Governor directed State agencies to propose budget reductions of 15%. These State budget cuts, if implemented, could impact the revenues available under FIN's contract with DCYF, both for the portion of funding available to FIN in its Network Administrator role, as well as to funding available to external providers in the network. At the date of this report, it is uncertain exactly what cuts the State's agencies may make or whether such cuts will require material changes in FIN's DCYF contract and, hence, to FIN's operations. Other than FIN, revenue sources otherwise available to the consolidated entities have not been, nor are expected to be, disrupted.

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Empire Health Foundation	Philanthropy Center, LLC	Philanthropy In Action	Sunset Health, LLC	Empire Health Community Advocacy Fund	Family Impact Network	Eliminations	Consolidated Totals
Cash and Cash Equivalents	\$ 4,030,319	\$ 114,646	\$ 331,094	\$ 18,213	\$ 249,207	\$ 388,034	\$ -	\$ 5,131,513
Accounts Receivable, Net	411,715	-	-	-	-	3,078,504	(58,724)	3,431,495
Pledges Receivable, Net	2,000,000	-	-	-	1,920,000	60,000	(60,000)	3,920,000
Investments	91,547,925	-	2,126,794	-	20,212,272	-	-	113,886,991
Notes and Loans Receivable	680,000	-	-	-	-	-	(150,000)	530,000
Beneficial Interest in Trusts	308,391	-	-	-	-	-	-	308,391
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	60,252	2,495,767	-	383,701	-	1,825	-	2,941,545
Prepaid Expense	499,535	-	1,168	3,126	340	72,955	-	577,124
Other Assets	4,290,416	-	-	-	24,452	-	(4,170,743)	144,125
<b>Total Assets</b>	<b>\$ 103,828,553</b>	<b>\$ 2,610,413</b>	<b>\$ 2,459,056</b>	<b>\$ 405,040</b>	<b>\$ 22,406,271</b>	<b>\$ 3,601,318</b>	<b>\$ (4,439,467)</b>	<b>\$ 130,871,184</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 182,591	\$ 10,650	\$ 19,271	\$ 3,180	\$ 6,465	\$ 2,437,789	\$ (58,724)	\$ 2,601,222
Annuities Payable	50,105	-	-	-	-	-	-	50,105
Accrued Salaries, Wages, and Employee Benefits	99,406	-	-	-	-	69,368	-	168,774
Grants and Pledges Payable	406,503	-	15,000	-	20,000	-	(60,000)	381,503
Debt Payable	-	-	-	-	-	171,872	(150,000)	21,872
Funds Held for Others	-	-	2,328,926	-	-	2,896	-	2,331,822
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	96,000	-	-	-	-	-	-	96,000
<b>Total Liabilities</b>	<b>834,605</b>	<b>10,650</b>	<b>2,363,197</b>	<b>3,180</b>	<b>26,465</b>	<b>2,681,925</b>	<b>(268,724)</b>	<b>5,651,298</b>
<b>NET ASSETS</b>								
Without Donor Restrictions	98,903,040	(1,140,737)	95,859	(28,383)	21,409,806	899,297	10,000	120,148,882
With Donor Restrictions	4,090,908	-	-	-	970,000	20,096	(10,000)	5,071,004
Member Capital	-	3,740,500	-	430,243	-	-	(4,170,743)	-
<b>Total Net Assets</b>	<b>102,993,948</b>	<b>2,599,763</b>	<b>95,859</b>	<b>401,860</b>	<b>22,379,806</b>	<b>919,393</b>	<b>(4,170,743)</b>	<b>125,219,886</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 103,828,553</b>	<b>\$ 2,610,413</b>	<b>\$ 2,459,056</b>	<b>\$ 405,040</b>	<b>\$ 22,406,271</b>	<b>\$ 3,601,318</b>	<b>\$ (4,439,467)</b>	<b>\$ 130,871,184</b>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Empire Health Foundation	Philanthropy Center, LLC	Philanthropy In Action	Sunset Health, LLC	Empire Health Community Advocacy Fund	Family Impact Network	Eliminations	Consolidated Totals
Cash and Cash Equivalents	\$ 2,518,546	\$ 48,366	\$ 641,081	\$ 11,127	\$ 20,597,666	\$ 942,479	\$ -	\$ 24,759,265
Accounts Receivable, Net	1,296,714	-	-	-	-	2,174,367	(72,788)	3,398,293
Pledges Receivable, Net	3,134,479	-	185,200	-	-	-	(185,200)	3,134,479
Grants Receivable	-	-	-	-	-	133,060	-	133,060
Investments	85,265,952	-	16,714,063	-	-	-	-	101,980,015
Notes and Loans Receivable	530,000	-	-	-	-	-	-	530,000
Beneficial Interest in Trusts	292,349	-	-	-	-	-	-	292,349
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	106,072	2,653,885	-	398,561	-	7,854	-	3,166,372
Prepaid Expense	599,522	-	1,086	2,502	334	91,308	-	694,752
Other Assets	4,205,338	-	-	-	-	-	(4,061,743)	143,595
<b>Total Assets</b>	<b>\$ 97,948,972</b>	<b>\$ 2,702,251</b>	<b>\$ 17,541,430</b>	<b>\$ 412,190</b>	<b>\$ 20,598,000</b>	<b>\$ 3,349,068</b>	<b>\$ (4,319,731)</b>	<b>\$ 138,232,180</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Accounts Payable	\$ 218,748	\$ 9,314	\$ 39,454	\$ 450	\$ 6,118	\$ 1,862,540	\$ (72,788)	\$ 2,063,836
Annuities Payable	48,492	-	-	-	-	-	-	48,492
Accrued Salaries, Wages, and Employee Benefits	111,648	-	-	-	-	55,154	-	166,802
Grants and Pledges Payable	443,700	-	118,060	-	-	10,186	(185,200)	386,746
Debt Payable	185,546	-	-	-	-	217,020	-	402,566
Deferred Revenue	393,521	-	-	-	-	-	-	393,521
Funds Held for Others	-	-	16,885,333	-	-	135,457	-	17,020,790
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	83,000	-	-	-	-	-	-	83,000
<b>Total Liabilities</b>	<b>1,484,655</b>	<b>9,314</b>	<b>17,042,847</b>	<b>450</b>	<b>6,118</b>	<b>2,280,357</b>	<b>(257,988)</b>	<b>20,565,753</b>
<b>NET ASSETS</b>								
Without Donor Restrictions	91,838,637	(938,563)	41,810	(18,503)	19,691,882	574,354	143,908	111,333,525
With Donor Restrictions	4,625,680	-	456,773	-	900,000	494,357	(143,908)	6,332,902
Member Capital	-	3,631,500	-	430,243	-	-	(4,061,743)	-
<b>Total Net Assets</b>	<b>96,464,317</b>	<b>2,692,937</b>	<b>498,583</b>	<b>411,740</b>	<b>20,591,882</b>	<b>1,068,711</b>	<b>(4,061,743)</b>	<b>117,666,427</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 97,948,972</b>	<b>\$ 2,702,251</b>	<b>\$ 17,541,430</b>	<b>\$ 412,190</b>	<b>\$ 20,598,000</b>	<b>\$ 3,349,068</b>	<b>\$ (4,319,731)</b>	<b>\$ 138,232,180</b>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Empire Health Foundation			Philanthropy Center, LLC	Philanthropy In Action			Sunset Health, LLC
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
<b>REVENUE AND SUPPORT</b>								
Contributions	\$ 424,890	\$ 515,521	\$ 940,411	\$ -	\$ -	\$ -	\$ -	\$ -
Program Revenue	535,160	-	535,160	-	59,525	-	59,525	-
Investment Income, Net of Expenses	508,973	17,198	526,171	-	-	-	-	-
Net Realized Gain from Investments	6,058,733	22,045	6,080,778	-	-	-	-	-
Net Unrealized Gain from Investments	4,748,796	11,802	4,760,598	-	-	-	-	-
Other Income	1,194,218	-	1,194,218	219,222	-	-	-	24,000
Distributions	-	(17,912)	(17,912)	-	-	-	-	-
Net Assets Released from Restrictions	1,083,426	(1,083,426)	-	-	456,773	(456,773)	-	-
<b>Total Revenue and Support</b>	<b>14,554,196</b>	<b>(534,772)</b>	<b>14,019,424</b>	<b>219,222</b>	<b>516,298</b>	<b>(456,773)</b>	<b>59,525</b>	<b>24,000</b>
<b>EXPENSES</b>								
Grants Expenses	2,200,227	-	2,200,227	-	195,457	-	195,457	-
Provider Services	-	-	-	-	-	-	-	-
Salaries, Payroll Taxes, and Benefits	3,215,856	-	3,215,856	-	76,327	-	76,327	-
Professional Services	1,143,523	-	1,143,523	125	173,143	-	173,143	-
Rent and Office Expenses	436,230	-	436,230	262,568	46	-	46	-
Other General and Administrative Expenses	290,236	-	290,236	573	17,260	-	17,260	3,760
Depreciation of Fixed Assets	45,820	-	45,820	158,118	-	-	-	20,140
Excise and Property Taxes	106,684	-	106,684	12	16	-	16	9,980
Interest Expense	230	-	230	-	-	-	-	-
Bad Debt Expense	-	-	-	-	-	-	-	-
Trailing: Other EHS Trailing Administration Expenses	50,987	-	50,987	-	-	-	-	-
<b>Total Expenses</b>	<b>7,489,793</b>	<b>-</b>	<b>7,489,793</b>	<b>421,396</b>	<b>462,249</b>	<b>-</b>	<b>462,249</b>	<b>33,880</b>
Member Contributions	-	-	-	109,000	-	-	-	-
<b>CHANGES IN NET ASSETS</b>	<b>7,064,403</b>	<b>(534,772)</b>	<b>6,529,631</b>	<b>(93,174)</b>	<b>54,049</b>	<b>(456,773)</b>	<b>(402,724)</b>	<b>(9,880)</b>
Net Assets - Beginning of Year	91,838,637	4,625,680	96,464,317	2,692,937	41,810	456,773	498,583	411,740
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 98,903,040</b>	<b>\$ 4,090,908</b>	<b>\$ 102,993,948</b>	<b>\$ 2,599,763</b>	<b>\$ 95,859</b>	<b>\$ -</b>	<b>\$ 95,859</b>	<b>\$ 401,860</b>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Empire Health Community Advocacy Fund			Family Impact Network			Eliminations	Consolidated Totals
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
\$ 1,000,000	\$ 920,000	\$ 1,920,000	\$ 169,907	\$ 313,147	\$ 483,054	\$ (60,000)	\$ 3,283,465
-	-	-	20,198,479	-	20,198,479	-	20,793,164
72,647	-	72,647	-	-	-	-	598,818
579,373	-	579,373	-	-	-	-	6,660,151
85,499	-	85,499	-	-	-	-	4,846,097
-	-	-	222,675	-	222,675	(902,368)	757,747
-	-	-	-	-	-	-	(17,912)
850,000	(850,000)	-	787,408	(787,408)	-	-	-
<u>2,587,519</u>	<u>70,000</u>	<u>2,657,519</u>	<u>21,378,469</u>	<u>(474,261)</u>	<u>20,904,208</u>	<u>(962,368)</u>	<u>36,921,530</u>
795,000	-	795,000	67,022	-	67,022	(60,000)	3,197,706
-	-	-	17,981,254	-	17,981,254	-	17,981,254
48,662	-	48,662	2,474,668	-	2,474,668	(629,059)	5,186,454
15,968	-	15,968	153,242	-	153,242	(32,200)	1,453,801
4,669	-	4,669	188,168	-	188,168	(231,190)	660,491
5,220	-	5,220	144,078	-	144,078	(9,919)	451,208
-	-	-	4,379	-	4,379	-	228,457
76	-	76	-	-	-	-	116,768
-	-	-	715	-	715	-	945
-	-	-	40,000	-	40,000	-	40,000
-	-	-	-	-	-	-	50,987
<u>869,595</u>	<u>-</u>	<u>869,595</u>	<u>21,053,526</u>	<u>-</u>	<u>21,053,526</u>	<u>(962,368)</u>	<u>29,368,071</u>
-	-	-	-	-	-	(109,000)	-
1,717,924	70,000	1,787,924	324,943	(474,261)	(149,318)	(109,000)	7,553,459
<u>19,691,882</u>	<u>900,000</u>	<u>20,591,882</u>	<u>574,354</u>	<u>494,357</u>	<u>1,068,711</u>	<u>(4,061,743)</u>	<u>117,666,427</u>
<u>\$ 21,409,806</u>	<u>\$ 970,000</u>	<u>\$ 22,379,806</u>	<u>\$ 899,297</u>	<u>\$ 20,096</u>	<u>\$ 919,393</u>	<u>\$ (4,170,743)</u>	<u>\$ 125,219,886</u>



**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Empire Health Foundation			Philanthropy Center, LLC	Philanthropy In Action		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>							
Contributions	\$ 2,500	\$ 3,997,479	\$ 3,999,979	\$ -	\$ 28,257	\$ 517,700	\$ 545,957
Program Revenue	781,479	-	781,479	-	157,365	-	157,365
Investment Income, Net of Expenses	531,381	18,106	549,487	-	-	-	-
Net Realized Gain from Investments	1,973,881	7,575	1,981,456	-	-	-	-
Net Unrealized Gain from Investments	8,661,685	19,377	8,681,062	-	-	-	-
Other Income	1,679,363	-	1,679,363	156,795	-	-	-
Distributions	-	(17,969)	(17,969)	-	-	-	-
Net Assets Released from Restrictions	1,853,743	(1,853,743)	-	-	424,002	(424,002)	-
<b>Total Revenue and Support</b>	<b>15,484,032</b>	<b>2,170,825</b>	<b>17,654,857</b>	<b>156,795</b>	<b>609,624</b>	<b>93,698</b>	<b>703,322</b>
<b>EXPENSES</b>							
Grants Expenses	2,106,694	-	2,106,694	-	316,282	-	316,282
Provider Services	-	-	-	-	-	-	-
Concrete Goods Deliveries	-	-	-	-	-	-	-
Salaries, Payroll Taxes, and Benefits	3,559,155	-	3,559,155	-	90,372	-	90,372
Professional Services	1,322,132	-	1,322,132	125	143,520	-	143,520
Rent and Office Expenses	313,687	-	313,687	129,081	6,236	-	6,236
Other General and Administrative Expenses	416,743	-	416,743	485	9,178	-	9,178
Depreciation of Fixed Assets	32,038	-	32,038	158,118	-	-	-
Excise and Property Taxes	30,576	-	30,576	12	1,622	-	1,622
Interest Expense	1,187	-	1,187	-	-	-	-
Trailing: Other Business Litigation	1,554	-	1,554	-	-	-	-
Trailing: Other EHS Trailing Administration Expenses	31,242	-	31,242	-	-	-	-
<b>Total Expenses</b>	<b>7,815,008</b>	<b>-</b>	<b>7,815,008</b>	<b>287,821</b>	<b>567,210</b>	<b>-</b>	<b>567,210</b>
Member Contributions	-	-	-	-	-	-	-
<b>CHANGES IN NET ASSETS</b>	<b>7,669,024</b>	<b>2,170,825</b>	<b>9,839,849</b>	<b>(131,026)</b>	<b>42,414</b>	<b>93,698</b>	<b>136,112</b>
Net Assets - Beginning of Year	84,169,613	2,454,855	86,624,468	2,823,963	(604)	363,075	362,471
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 91,838,637</b>	<b>\$ 4,625,680</b>	<b>\$ 96,464,317</b>	<b>\$ 2,692,937</b>	<b>\$ 41,810</b>	<b>\$ 456,773</b>	<b>\$ 498,583</b>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Empire Health Community Advocacy Fund			Family Impact Network			Eliminations	Consolidated Totals
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
\$ -	\$ 900,000	\$ 900,000	\$ -	\$ 575,836	\$ 575,836	\$ (185,200)	\$ 5,836,572
-	-	-	18,979,397	-	18,979,397	-	19,918,241
42,702	-	42,702	-	-	-	-	592,189
-	-	-	-	-	-	-	1,981,456
-	-	-	-	-	-	-	8,681,062
-	-	-	12,500	440	12,940	(743,703)	1,123,395
-	-	-	-	-	-	-	(17,969)
-	-	-	106,919	(106,919)	-	-	-
<u>42,702</u>	<u>900,000</u>	<u>942,702</u>	<u>19,098,816</u>	<u>469,357</u>	<u>19,568,173</u>	<u>(928,903)</u>	<u>38,114,946</u>
256,250	-	256,250	316,127	-	316,127	(185,200)	2,810,153
-	-	-	16,716,159	-	16,716,159	-	16,716,159
-	-	-	41,409	-	41,409	-	41,409
38,450	-	38,450	2,151,978	-	2,151,978	(555,945)	5,284,010
67,984	-	67,984	48,879	-	48,879	(27,300)	1,555,340
573	-	573	219,135	-	219,135	(160,458)	508,925
4,045	-	4,045	157,562	-	157,562	-	590,876
-	-	-	4,476	-	4,476	-	214,772
-	-	-	-	-	-	-	39,478
-	-	-	-	-	-	-	1,187
-	-	-	-	-	-	-	1,554
-	-	-	-	-	-	-	31,242
<u>367,302</u>	<u>-</u>	<u>367,302</u>	<u>19,655,725</u>	<u>-</u>	<u>19,655,725</u>	<u>(928,903)</u>	<u>27,795,105</u>
-	-	-	-	-	-	-	-
(324,600)	900,000	575,400	(556,909)	469,357	(87,552)	-	10,319,841
<u>20,016,482</u>	<u>-</u>	<u>20,016,482</u>	<u>1,131,263</u>	<u>25,000</u>	<u>1,156,263</u>	<u>(4,061,743)</u>	<u>107,346,586</u>
<u>\$ 19,691,882</u>	<u>\$ 900,000</u>	<u>\$ 20,591,882</u>	<u>\$ 574,354</u>	<u>\$ 494,357</u>	<u>\$ 1,068,711</u>	<u>\$ (4,061,743)</u>	<u>\$ 117,666,427</u>



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