

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Empire Health Foundation  
Spokane, Washington

### **Report on the Audit of the Consolidated 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, 2023 and 2022, 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, 2023 and 2022, 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 Consolidated 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 Consolidated 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 Consolidated 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 consolidated 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 consolidated financial statements as a whole. The supplementary information on pages 38 to 43 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 consolidated financial statements themselves, and other additional procedures in accordance with GAAS.

Board of Directors  
Empire Health Foundation

In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Spokane, Washington  
August 19, 2024

**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,909,010	\$ 5,460,169
Accounts Receivable	1,589,269	908,886
Pledges Receivable, Net	698,846	200,000
Investments	94,644,466	88,466,989
Notes and Loans Receivable	530,000	680,000
Beneficial Interest in Trusts	259,567	235,687
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	2,780,983	2,877,810
Prepaid Expense	340,284	426,059
Other Assets	333,663	179,662
	\$ 104,086,088	\$ 99,435,262
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 797,731	\$ 520,594
Annuities Payable	-	55,000
Accrued Salaries, Wages, and Employee Benefits	120,667	94,159
Grants and Pledges Payable	12,500	213,000
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	45,000	59,000
Total Liabilities	975,898	941,753
<b>NET ASSETS</b>		
Without Donor Restrictions	100,662,968	95,770,073
With Donor Restrictions	2,447,222	2,723,436
Total Net Assets	103,110,190	98,493,509
Total Liabilities and Net Assets	\$ 104,086,088	\$ 99,435,262

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 998,846	\$ 1,500,000	\$ 2,498,846
Program Revenue	5,473,641	-	5,473,641
Investment Income, Net of Expenses	1,340,269	27,946	1,368,215
Net Realized Gain from Investments	751,642	10,888	762,530
Net Unrealized Gain from Investments	9,967,407	16,705	9,984,112
Other Income	164,429	-	164,429
Distributions	-	(6,500)	(6,500)
Net Assets Released from Restrictions	1,825,253	(1,825,253)	-
Total Revenue and Support	20,521,487	(276,214)	20,245,273
<b>EXPENSES</b>			
Grants Expenses	4,709,853	-	4,709,853
Provider Services	5,257,729	-	5,257,729
Salaries, Payroll Taxes, and Benefits	3,288,221	-	3,288,221
Professional Services	1,201,300	-	1,201,300
Rent and Office Expenses	287,379	-	287,379
Other General and Administrative Expenses	632,212	-	632,212
Depreciation of Fixed Assets	156,040	-	156,040
Excise and Property Taxes	44,083	-	44,083
Trailing: Other EHS Trailing Administration Expenses	51,775	-	51,775
Total Expenses	15,628,592	-	15,628,592
<b>CHANGES IN NET ASSETS</b>	4,892,895	(276,214)	4,616,681
Net Assets – Beginning of Year	95,770,073	2,723,436	98,493,509
<b>NET ASSETS – END OF YEAR</b>	\$ 100,662,968	\$ 2,447,222	\$ 103,110,190

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 10,000	\$ 212,195	\$ 222,195
Program Revenue	24,646,780	-	24,646,780
Investment Income, Net of Expenses	999,854	16,267	1,016,121
Net Realized Gain from Investments	210,670	9,481	220,151
Net Unrealized Loss from Investments	(19,960,697)	(64,997)	(20,025,694)
Other Income	34,564	-	34,564
Distributions	-	(18,213)	(18,213)
Net Assets Released from Restrictions	2,502,301	(2,502,301)	-
Total Revenue and Support	8,443,472	(2,347,568)	6,095,904
<b>EXPENSES</b>			
Grants Expenses	2,906,234	-	2,906,234
Provider Services	22,087,814	-	22,087,814
Salaries, Payroll Taxes, and Benefits	4,651,187	-	4,651,187
Professional Services	1,236,240	-	1,236,240
Rent and Office Expenses	328,325	-	328,325
Other General and Administrative Expenses	543,392	-	543,392
Depreciation of Fixed Assets	166,640	-	166,640
Excise and Property Taxes	44,215	-	44,215
Interest Expense	16,458	-	16,458
Trailing: Other EHS Trailing Administration Expenses	21,421	-	21,421
Total Expenses	32,001,926	-	32,001,926
<b>CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSES)</b>	(23,558,454)	(2,347,568)	(25,906,022)
<b>OTHER INCOME (EXPENSES)</b>			
Loss on Deconsolidation	(820,355)	-	(820,355)
<b>CHANGE IN NET ASSETS</b>	(24,378,809)	(2,347,568)	(26,726,377)
Net Assets – Beginning of Year	120,148,882	5,071,004	125,219,886
<b>NET ASSETS – END OF YEAR</b>	\$ 95,770,073	\$ 2,723,436	\$ 98,493,509

See accompanying Notes to Consolidated Financial Statements.



**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2023**

	Program Services		Total Program Services	Management and General	Total
	Empire Health Foundation	Empire Health Community Advocacy Fund			
Grants Expenses	\$ 3,601,189	\$ 1,108,664	\$ 4,709,853	\$ -	\$ 4,709,853
Provider Services	5,257,729	-	5,257,729	-	5,257,729
Salaries, Payroll Taxes, and Benefits	1,175,131	236	1,175,367	2,112,854	3,288,221
Professional Services	952,264	39,696	991,960	209,340	1,201,300
Rent and Office Expenses	25,433	32	25,465	261,914	287,379
Other General and Administrative Expenses	120,609	72,986	193,595	438,617	632,212
Depreciation of Fixed Assets	-	-	-	156,040	156,040
Excise and Property Taxes	443	-	443	43,640	44,083
Trailing: Other EHS Trailing Administration Expenses	-	-	-	51,775	51,775
<b>Total Functional Expenses</b>	<b><u>\$ 11,132,798</u></b>	<b><u>\$ 1,221,614</u></b>	<b><u>\$ 12,354,412</u></b>	<b><u>\$ 3,274,180</u></b>	<b><u>\$ 15,628,592</u></b>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

	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	\$ 2,657,137	\$ 11,497	\$ 127,600	\$ 110,000	\$ 2,906,234	\$ -	\$ 2,906,234
Provider Services	1,090,189	17,633,805	-	-	18,723,994	3,363,820	22,087,814
Salaries, Payroll Taxes, and Benefits	1,001,878	1,620,242	-	265	2,622,385	2,028,802	4,651,187
Professional Services	849,960	60,033	-	400	910,393	325,847	1,236,240
Rent and Office Expenses	17,593	116,047	-	2,356	135,996	192,329	328,325
Other General and Administrative Expenses	85,106	16,693	-	98	101,897	441,495	543,392
Depreciation of Fixed Assets	-	-	-	-	-	166,640	166,640
Excise and Property Taxes	1,314	-	-	-	1,314	42,901	44,215
Interest Expense	-	-	-	-	-	16,458	16,458
Trailing: Other EHS Trailing Administration Expenses	-	-	-	-	-	21,421	21,421
<b>Total Functional Expenses</b>	<b><u>\$ 5,703,177</u></b>	<b><u>\$ 19,458,317</u></b>	<b><u>\$ 127,600</u></b>	<b><u>\$ 113,119</u></b>	<b><u>\$ 25,402,213</u></b>	<b><u>\$ 6,599,713</u></b>	<b><u>\$ 32,001,926</u></b>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Contributions and Other Revenue and Support	\$ 8,149,946	\$ 32,187,857
Net Cash Received from Agency Transactions	-	(2,331,822)
Cash Paid to Employees and Vendors	(10,422,883)	(31,847,616)
Cash Paid for Grants	(4,760,353)	(3,074,737)
Net Cash Used by Operating Activities	(7,033,290)	(5,066,318)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of Notes Receivable	-	(150,000)
Purchases of Investments	(23,207,199)	(21,598,623)
Proceeds from Sale of Investments	28,884,418	28,232,183
Reinvest Investment Earnings	(1,135,875)	(963,809)
Purchase of Land, Building, and Equipment	(59,213)	(102,905)
Net Cash Provided by Investing Activities	4,482,131	5,416,846
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of Line of Credit	-	(21,872)
Net Cash Provided (Used) by Financing Activities	-	(21,872)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,551,159)	328,656
Cash and Cash Equivalents – Beginning of Year	5,460,169	5,131,513
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$ 2,909,010	\$ 5,460,169
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 4,616,681	\$ (26,726,377)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Realized and Unrealized (Gain) Loss from Investments	(10,718,821)	19,750,251
(Gain) Loss From Beneficial Interest in Trusts	(23,880)	72,704
Depreciation Expense	156,040	166,640
Forgiveness of Notes Receivable	150,000	-
(Increase) Decrease in Assets:		
Accounts Receivable	(680,383)	2,522,609
Pledges Receivable	(498,846)	3,720,000
Prepaid Expense	85,775	151,065
Other Assets	(154,001)	(35,537)
Increase (Decrease) in Liabilities:		
Accounts Payable	277,137	(2,080,628)
Annuities Payable	(55,000)	4,895
Accrued Salaries, Wages, and Employee Benefits	26,508	(74,615)
Grants and Pledges Payable	(200,500)	(168,503)
Funds Held for Others	-	(2,331,822)
Workers' Compensation Self-Insurance Liability	(14,000)	(37,000)
Total Adjustments	(11,649,971)	21,660,059
Net Cash Used by Operating Activities	\$ (7,033,290)	\$ (5,066,318)

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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 Inland Northwest 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 community, integrity, trust, compassion, and unconditional love.

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). FIN is a public charity exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation was the sole member of FIN and through December 14, 2022 had a controlling financial interest in FIN requiring consolidation within these consolidated financial statements (see Note 13).

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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 2019 through July 15, 2022, PIA was an 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 was a private foundation exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation was the sole member of PIA and through November 23, 2022 had a controlling financial interest in PIA requiring consolidation within these consolidated financial statements (see Note 13).

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.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**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).

**Principles of Consolidation**

The accompanying 2023 and 2022 consolidated financial statements include the accounts of the Foundation in consolidation with its affiliates FIN (Through December 14, 2022), PIA (through November 23, 2022), SSH, EHCAF and PC LLC, as of and for the years ended December 31, 2023 and 2022. 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.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**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, 2023 and 2022 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, 2023 and 2022.

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.

A portion of the Foundation's 2023 revenue is derived from a cost-reimbursable state contract which is conditioned upon certain performance requirements and/or incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. The Foundation's cost reimbursable contract is for approximately \$8 million, extends through June 30, 2024 and had no advance payments made through December 31, 2023. The Foundation recognized approximately \$5.5 million and \$1.2 million of program revenue under this contract for the years ending December 31, 2023 and 2022, respectively. Approximately \$5.3 million and \$1.1 million of these same amounts were also simultaneously recognized by the Foundation as provider services expense in those years because the amounts are ultimately owed to the Foundation's subcontractors.

Program revenue in 2022 also includes FIN's revenue related to child welfare programs contracted through DYCF 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 provider services expense because the amounts are ultimately owed to the service providers. 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.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**Revenue Recognition (Continued)**

The Foundation also earns contract revenue by providing administrative and accounting support, principally at cost, to related entities such as FIN, 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. 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 low income housing tax credit (LIHTC) subsidized rental housing project. This revenue is recognized in accordance with the terms of a 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.

Contract assets and liabilities consist of:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts Receivable (Noneliminated), Including Developer Fee:			
FIN	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,974,706</u>
EHF	<u>\$ 1,548,269</u>	<u>\$ 778,529</u>	<u>\$ 394,843</u>
EHF:			
Accounts Payable	<u>\$ 613,057</u>	<u>\$ 341,264</u>	<u>\$ -</u>
FIN:			
Funds Held for Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,896</u>
PIA:			
Funds Held for Others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,328,926</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.



**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**Receivables**

Accounts receivables are recorded at the original invoice amount, less allowance for credit losses. 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, 2023 and 2022, to be fully collectible; accordingly, no allowance for credit loss has been recorded (see Note 14 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 7).

**Notes and Loans Receivable**

Mortgage loans and other notes receivable are carried at cost, less allowance for credit loss. The consolidated entities consider the mortgage loans and other notes receivable at December 31, 2023 and 2022 to be fully collectible; accordingly, no allowance for credit loss is considered necessary (see Note 10).

**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 9).

**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 received the majority of its 2022 revenues through its contract with the DCYF and is, therefore, reliant on this contract to fulfill its charitable purposes and maintain perpetual existence.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**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, 2023 and 2022, 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 11).

**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 payables of \$11,000 and \$4,000 for federal excise and UBIT taxes at December 31, 2023 and 2022, 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;

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**Income Tax Status (Continued)**

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.

EHF has complied with the above restrictions and requirements for all years of its existence.

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 had not met the public support test for its first five tax years of existence. Consequently, while its status as a public charity was unaffected for years 2016 through 2020, pursuant to IRS regulations, PIA automatically converted to private foundation status beginning with the 2021 tax year.

While remaining a tax-exempt corporation, this conversion of status made PIA subject to the federal excise tax on its net investment income in 2022 and 2023. However, PIA generated no net investment income for those years and therefore incurred no such tax. PIA complied with all other requirements and restrictions imposed by IRC on private foundations for these same two years.

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.

**Adoption of New Accounting Standard**

At the beginning of 2023, EHF adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. EHF adopted this new guidance utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to EHF's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses.

EHF uses historical loss information based on the aging of receivables as the basis to determine expected credit losses for receivables and believes that the composition of trade receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. However, management has also reviewed forward looking information within the industry, economy and customers, noting no

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**Adoption of New Accounting Standard (continued)**

matters that would require additional expected credit losses. The adoption of this standard did not have a material impact on the EHF's consolidated financial statements.

**Subsequent Events**

Subsequent events have been evaluated through August 19, 2024, which is the date the consolidated financial statements were available to be issued.

**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:

	2023	2022
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 2,909,010	\$ 5,460,169
Accounts Receivable, Net	1,589,269	908,886
Pledges Receivable, Net	698,846	200,000
Investments	94,644,466	88,466,989
Notes and Loans Receivable	530,000	680,000
Beneficial Interest in Trusts	259,567	235,687
Total Financial Assets	100,631,158	95,951,731
Less: Amounts Not Available to Be Used		
Within One Year:		
Investments in Nonliquid Alternative Investments	(6,187,465)	(6,415,781)
Investments Held in Custodial Accounts	(1,061,410)	(1,011,297)
Investments Securing Charitable Remainder Trusts	-	(78,314)
Pledges Receivable With Donor Restrictions	(500,000)	(200,000)
Other Net Assets With Donor Restrictions	(1,947,222)	(2,523,436)
Mortgages Notes Due Beyond One Year	(530,000)	(530,000)
Less: Accounts Payable (PC)	(28,910)	(12,524)
Less: Targeted for Maintenance Reserve (PC)	(85,272)	(68,456)
Financial Assets Unavailable for Use		
Within One Year	(10,340,279)	(10,839,808)
Financial Assets Available to Meet		
General Expenditures Within One Year	\$ 90,290,879	\$ 85,111,923

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 2 LIQUIDITY (CONTINUED)**

Following is a summary of the practices of each:

**Empire Health Foundation**

Approximately 91% 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 and contributions 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 regranteeing and administrative costs.

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 its cash accounts 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.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 2 LIQUIDITY (CONTINUED)**

**Empire Health Foundation (Continued)**

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%. This 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.

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

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,333,597	\$ 3,358,171
Accounts Receivable, Net	1,607,169	928,005
Pledges Receivable, Net	698,846	-
Investments	76,324,729	71,761,186
Notes and Loans Receivable	530,000	680,000
Beneficial Interest in Trusts	259,567	235,687
Total Financial Assets	<u>80,753,908</u>	<u>76,963,049</u>
Less: Amounts Not Available to Be Used		
Within One Year:		
Investments in Nonliquid Alternative Investments	(6,187,465)	(6,415,781)
Investments Held in Custodial Accounts	(1,061,410)	(1,011,297)
Investments Securing Charitable Remainder Trusts	-	(78,314)
Pledges Receivable With Donor Restrictions	(500,000)	-
Other Net Assets With Donor Restrictions	(1,230,222)	(1,593,597)
Mortgages Notes Due Beyond One Year	(530,000)	(530,000)
Financial Assets Unavailable for Use		
Within One Year	<u>(9,509,097)</u>	<u>(9,628,989)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 71,244,811</u>	<u>\$ 67,334,060</u>

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**NOTE 2 LIQUIDITY (CONTINUED)**

**Philanthropy Center LLC**

PC LLC's primary source of liquidity is the rents it receives from related or formerly related 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.

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

	2023	2022
Cash and Cash Equivalents	\$ 148,761	\$ 129,686
Less: Accounts Payable	(28,910)	(12,524)
Less: Targeted for Maintenance Reserve	(85,272)	(68,456)
Net Cash Available	\$ 34,579	\$ 48,706
 30 Days Average Budgeted Cash Expenses	 \$ 16,705	 \$ 16,497
 Percentage of Cash Target on Hand	 207%	 295%

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, 2023 and 2022.

**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 \$24,000 annually. 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 \$11,000.

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

**Sunset Health LLC (Continued)**

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

	2023	2022
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 4,764	\$ 10,115
Accounts Receivable, Net	-	2,000
Financial Assets Available to Meet		
General Expenditures Within One Year	\$ 4,764	\$ 12,115

**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.



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

**Empire Health Community Advocacy Fund (Continued)**

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

	<u>2023</u>	<u>2022</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,421,888	\$ 1,962,197
Pledges Receivable, Net	-	200,000
Investments	<u>18,319,737</u>	<u>16,705,803</u>
Total Financial Assets	<u>19,741,625</u>	<u>18,868,000</u>
Pledges Receivable With Donor Restrictions	-	(200,000)
Other Net Assets With Donor Restrictions	<u>(717,000)</u>	<u>(929,839)</u>
Financial Assets Unavailable for Use		
Within One Year	<u>(717,000)</u>	<u>(1,129,839)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 19,024,625</u>	<u>\$ 17,738,161</u>

**NOTE 3 INVESTMENTS**

Investments consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Short-Term Money Market Investments	\$ 2,501,419	\$ 1,858,174
Equity Securities	17,898,406	16,102,584
Mutual Funds	46,890,114	43,043,422
U.S. Government Fixed Income Instruments	12,971,310	12,055,436
Fixed Income	7,134,342	7,901,981
Alternative Investments	<u>6,187,465</u>	<u>6,415,781</u>
Total	<u>93,583,056</u>	<u>87,377,378</u>
For Specific Purposes:		
For Net Assets with Donor Restrictions:		
Charitable Gift Annuity and Split-Interest Trusts:		
Short-Term Money Market Investments	-	2,893
Equity Securities	-	15,709
Mutual Funds	-	40,702
U.S. Government Obligations	-	11,820
Other Fixed Income Instruments	-	7,190
Workers' Compensation Self-Insurance Funds:		
Short-Term Money Market Investments	<u>1,061,410</u>	<u>1,011,297</u>
Total	<u>1,061,410</u>	<u>1,089,611</u>
Total Investments	<u>\$ 94,644,466</u>	<u>\$ 88,466,989</u>

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**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, 2023 and 2022:

**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 consolidated financial statements, no claims of this nature have been asserted or are pending against EHF.

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, 2023 and 2022, the balances of \$1,061,410 and \$1,011,297, respectively, were considered by the Department to be adequate. In 2022, the Department advised the Foundation that \$1,000,000 is the minimum allowable surety requirement until such time as the Foundation experiences 10 consecutive years without claims costs. The surety requirement is reviewed annually by the Department. Net claims costs incurred were \$13,265 and \$7,778 for the years ended December 31, 2023 and 2022, 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 \$45,000 and \$59,000 at December 31, 2023 and 2022, 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 2023 or through August 19, 2024.

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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

**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.

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, 2023 resulted in \$107,584 recognized recovery income, with associated recovery costs incurred of \$19,365. No such activity was recorded for the year ended December 31, 2022.

**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. 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.

All parties have executed an Affiliation Agreement for Graduate Medical Education Consortium (Affiliation Agreement). This Affiliation Agreement succeeded earlier agreements and became effective August 26, 2022, and extends for 10 years through August 26, 2032. The Affiliation Agreement may then be extended for one additional five-year period upon the mutual written consent of the parties. If for any reason over the term of the Affiliation Agreement support from federal, state, or other third-party funding sources is withdrawn or reduced, the parties will meet to negotiate, in good faith, the financial obligations of the parties.

**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 the 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 10). 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, and operations are proceeding within the resources generated by and available to the property. 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 \$693 and \$1,859 at December 31, 2023 and 2022, respectively.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2023</u>	<u>2022</u>
Net Assets With Restrictions to be Released Over Time:		
Scholarships and Education	\$ 177,469	\$ 169,382
Population Health Initiatives	1,228,885	1,334,066
Support for Nonprofit Capital Acquisition Projects	717,000	920,000
Research	64,301	64,301
	<u>2,187,655</u>	<u>2,487,749</u>
Net Assets With Donor Restrictions:		
Education	<u>259,567</u>	<u>235,687</u>
Total Net Assets With Donor Restrictions:	<u>\$ 2,447,222</u>	<u>\$ 2,723,436</u>

\$259,567 and \$235,687 of the amount restricted for education at December 31, 2023 and 2022, 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.

**NOTE 6 NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors in the year ended December 31:

	<u>2023</u>	<u>2022</u>
Time Restrictions Accomplished:		
Population Health Initiatives	\$ 1,622,253	\$ 2,502,301
Support for Nonprofit Capital Acquisition Projects	203,000	-
	<u>1,825,253</u>	<u>2,502,301</u>
Purpose Restrictions Accomplished:		
Education	<u>6,500</u>	<u>18,213</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 1,831,753</u>	<u>\$ 2,520,514</u>

**NOTE 7 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).

**EMPIRE HEALTH FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2023 and 2022.

Following are descriptions of the valuation methodologies used for assets measured at fair value.

*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.

*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.

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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

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:

	2023			Total
	Level 1	Level 2	Level 3	
Short-Term Money Market	\$ 3,562,829	\$ -	\$ -	\$ 3,562,829
Government and Agency Obligations:				
U.S. Treasury Obligations	-	12,971,310	-	12,971,310
Corporation Obligations	-	6,357,585	-	6,357,585
International Obligations	-	776,757	-	776,757
Mutual Funds:				
Blend	42,996,607	-	-	42,996,607
Value	186,548	-	-	186,548
Allocation	3,706,959	-	-	3,706,959
Common Stock:				
U.S. Large Cap	13,411,924	-	-	13,411,924
International Large Cap	1,102,340	-	-	1,102,340
U.S. Medium and Small Cap	2,783,145	-	-	2,783,145
International Medium and Small Cap	600,997	-	-	600,997
Beneficial Interest in Trusts	-	-	259,567	259,567
Total Investments at Fair Value	<u>\$ 68,351,349</u>	<u>\$ 20,105,652</u>	<u>\$ 259,567</u>	88,716,568
Investments Measured at NAV:				
Private Equity				5,940,316
Real Assets				247,149
Total Investments Measured at NAV				<u>6,187,465</u>
Total Investments				<u>\$ 94,904,033</u>

**EMPIRE HEALTH FOUNDATION  
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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

	2022			
	Level 1	Level 2	Level 3	Total
Short-Term Money Market	\$ 2,872,364	\$ -	\$ -	\$ 2,872,364
Government and Agency Obligations:				
U.S. Treasury Obligations	-	12,067,256	-	12,067,256
Corporation Obligations	-	7,426,174	-	7,426,174
International Obligations	-	482,997	-	482,997
Mutual Funds:				
Blend	39,150,663	-	-	39,150,663
Value	166,565	-	-	166,565
Allocation	3,766,896	-	-	3,766,896
Common Stock:				
U.S. Large Cap	12,203,994	-	-	12,203,994
International Large Cap	761,762	-	-	761,762
U.S. Medium and Small Cap	2,437,415	-	-	2,437,415
International Medium and Small Cap	715,122	-	-	715,122
Beneficial Interest in Trusts	-	-	235,687	235,687
Total Investments at Fair Value	<u>\$ 62,074,781</u>	<u>\$ 19,976,427</u>	<u>\$ 235,687</u>	82,286,895
Investments Measured at NAV:				
Private Equity				6,151,093
Real Assets				264,688
Total Investments Measured at NAV				<u>6,415,781</u>
Total Investments				<u>\$ 88,702,676</u>

No financial assets were transferred between Levels 1 and 2 during the years ended December 31, 2023 and 2022. No impairment losses were recorded on Level 3 assets in 2023 or 2022.

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

The following table represents the Foundation'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
	2023	2022		
Beneficial Interest In Trust	\$ 259,567	\$ 235,687	FMV of Trust Investments	Time Period of Trust



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**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table represents the change in the Foundation's Beneficial Interest in Trusts for the years ending December 31:

Beneficial Interest in Trusts	2023	2022
Balance – Beginning of Year	\$ 235,687	\$ 308,391
Ordinary Income	2,787	1,024
Net Realized Capital Gains	10,888	9,481
Net Unrealized Capital Gains	16,705	(64,996)
Distributions for Charitable Purposes	(6,500)	(18,213)
Balance – End of Year	<u>\$ 259,567</u>	<u>\$ 235,687</u>

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

	NAV		Unfunded Commitments	Redemption Schedule	Redemption Notice Period
	2023	2022			
Private Equity	\$ 5,940,316	\$ 6,151,093	\$ 1,037,667	Quarterly	95 days
Real Assets	247,149	264,688	100,799	Quarterly	95 days
Total	<u>\$ 6,187,465</u>	<u>\$ 6,415,781</u>	<u>\$ 1,138,466</u>		

Based on the Chapter 7 liquidation proceedings for one investee, the Foundation recorded a realized and impairment loss of \$100,000 for private equity investments in 2023, while simultaneously releasing the \$100,000 valuation allowance previously recorded in 2021. No impairment losses were recorded on alternative investments in 2022.

**NOTE 8 CHARITABLE REMAINDER TRUSTS**

The Foundation administered a single charitable remainder trust through September 2023. 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). The remaining assets become 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. In September of 2023, the individual beneficiary of the lone remaining single charitable remainder trust passed away. The remaining trust assets were then disbursed to the Foundation and the other designated beneficiary and the trust was closed.

Assets securing the charitable remainder trust obligation totaled \$-0- and \$78,314 at December 31, 2023 and 2022 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 revalued the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The amount of the charitable remainder trust liability was \$55,000 at December 31, 2022.

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**NOTE 9 LAND, BUILDING, AND EQUIPMENT**

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

	2023	2022
Land	\$ 455,677	\$ 455,677
Buildings and Improvements	3,656,118	3,603,705
Furniture and Fixtures	639,134	647,966
Total	4,750,929	4,707,348
Less: Accumulated Depreciation	(1,969,946)	(1,829,538)
Balance - End of Year	\$ 2,780,983	\$ 2,877,810

**NOTE 10 NOTES AND LOANS RECEIVABLE**

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

	2023	2022
Family Impact Network, 0%, Maturing 2023, Unsecured	\$ -	\$ 150,000
J AULD APTS LLC, 2.0%, Maturing 2049, Subordinated	530,000	530,000
Total	\$ 530,000	\$ 680,000

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 \$46,030 and \$35,430 is included in other assets at December 31, 2023 and 2022, respectively. In 2023, the unsecured note due from FIN was forgiven by the Foundation in the form of a general operating support grant.

**NOTE 11 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, 2023 and 2022 were \$155,555 and \$121,218, 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 year ended December 31, 2022 were \$68,536. Neither plan is currently subject to independent audit requirements at the present time.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 12 LEASES**

The Foundation, EHCAF and FIN each entered into separate, annually renewable one-year operating leases for office space with PC LLC, each now extending through December 31, 2024. It is anticipated that each entity will renew or extend its lease annually, although it is possible that each may find it necessary to relocate in the future depending on business requirements. Thus, the terms under which leases may renew beyond 2024 have not been established. Rent expense paid to PC LLC in 2023 was \$171,657 and \$1,279 by the Foundation and EHCAF, respectively. Rent expense paid to PC LLC in 2022 was \$154,055 and \$23,057 by the Foundation and FIN, respectively.

The Foundation's 2024 lease with PC LLC requires monthly fixed base lease payments of \$14,397. 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 and other tenants, if any. EHCAF's 2024 lease with PC LLC requires monthly fixed lease payments of \$121. Future minimum lease payments by remaining consolidated members under the leases with PC LLC are:

<u>Year Ending December 31, 2024</u>	<u>Amount</u>
Empire Health Foundation	\$ 172,764
Empire Health Community Advocacy Fund	1,452
Total	<u>\$ 174,216</u>

In 2017, PC LLC entered into an operating lease for copiers. The term of the lease was 60 months ending in 2022. PC LLC paid \$7,706 for this lease in 2022. In 2023, PC LLC entered into a 60 month lease for a water and ice machine. PC LLC recognized rental costs of \$6,275 in 2023. Additionally, at December 31, 2023, PC recognized a gross right of use asset of \$28,758 reduced by accumulated amortization of \$4,906, recorded in other assets. It also recorded a remaining future lease liability of \$23,278 recorded in accounts payable, of which \$5,392 is due in 2024.

In March of 2020, FIN entered into a lease agreement for additional office space. FIN paid rent of \$21,886 for this space for the year ending December 31, 2022. This lease was terminated early in 2022 for an additional cost of \$12,664.

**NOTE 13 RELATED PARTY TRANSACTIONS**

The Foundation has, or has had, direct and indirect membership interests in each of PC LLC, FIN, PIA, SSH, EHCAF, EHF 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 provided administrative and program services to FIN and PIA pursuant to employee lease agreements and administrative services agreements. The types and extent of services provided varied based on the structures and needs of the recipient entities, but generally consisted of executive leadership, financial administration, human resources services government relations and communications support. All of these types of agreements have been terminated no later

**EMPIRE HEALTH FOUNDATION  
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**NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)**

than December 31, 2022. In addition, PC LLC leases most of its premises to the Foundation, EHCAF and FIN. EHF also shares administrative and programmatic personnel and the primary accounting system with EHCAF, for which EHCAF reimburses the Foundation at cost.

In 2023 and 2022, the following related party transactions occurred:

The Foundation paid base rent to PC LLC of \$171,657 and \$154,055 for the years ended December 31, 2023 and 2022, respectively. EHCAF paid rent to PC LLC of \$1,279 for the year ended December 31, 2023. FIN paid rent to PC LLC of \$23,057 for the year ended December 31, 2022.

The Foundation advanced to FIN \$150,000 on a zero-interest unsecured line of credit during the year ended December 31, 2021. In 2023, when FIN was no longer a related party, the advance was forgiven by the Foundation in the form of a general operating support grant. FIN paid the Foundation \$99,223 pursuant to employee lease and administrative services agreements, accounting software and some consulting costs for the year ended December 31, 2022. Effective December 14, 2022, the Boards of Directors of the Foundation and of FIN each approved changes to the bylaws of FIN withdrawing the Foundation's membership in FIN and terminating the Foundation's controlling financial interest. Financial activities of FIN throughout 2022 are reflected in the Consolidated Statement of Activities and Changes in Net Assets for the year. However, FIN has no remaining balances in the Consolidated Statement of Financial Position effective for the years ended December 31, 2022 and later. Accordingly, within these consolidated financial statements, the Foundation has recorded a loss upon deconsolidation of \$820,355, which is a separately reported component within the 2022 Consolidated Statement of Activities and Changes in Net Assets. Subsequent to deconsolidation, the Foundation no longer has any interaction with FIN through administrative services agreements. However, FIN still has active one-year lease agreements with PC LLC for years 2023 and 2024.

PIA paid the Foundation \$36,504 pursuant to an administrative services agreement during the year ended December 31, 2022. During 2022, the Boards of Directors of the Foundation and of PIA each approved the dissolution of PIA as a legal entity. Effective November 23, 2022 the Secretary of State confirmed the dissolution of PIA and its existence was terminated. In accordance with its approved plan of dissolution, PIA granted its remaining \$127,600 of funds to a 501(c)(3) public charity unaffiliated with either PIA or the Foundation. Financial activities of PIA throughout 2022 are reflected in the Consolidated Statement of Activities and Changes in Net Assets for the year. However, PIA has no remaining balances in the Consolidated Statement of Financial Position for the year ended December 31, 2022 or later.

EHCAF paid the Foundation \$240,896 and \$64,385 for shared employee and accounting software costs for the years ended December 31, 2023 and 2022, respectively. EHCAF reimbursed other expenses to the Foundation of \$7,165 and \$3,501 for the years ended December 31, 2023 and 2022, respectively.

**EMPIRE HEALTH FOUNDATION  
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**NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)**

The Foundation made member contributions of \$28,000 and \$60,060 to SSH during the years ended December 31, 2023 and 2022, respectively. During the year ended December 31, 2023, the Foundation made a short-term advance of \$4,000 to SSH which was repaid prior to the end of the year. During the year ended December 31, 2023, SSH reimbursed additional expenses of \$665 to the Foundation.

The Foundation made capital contributions to EHF JAM MM LLC of \$1,950 in each of the years ending December 31, 2023 and 2022, respectively. The Foundation recorded allocated losses from EHF JAM MM LLC of \$3,113 and \$47 in each of the years ending December 31, 2023 and 2022, respectively.

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 of related interest income during the years ended December 31, 2023 and 2022, respectively. In addition, the Foundation earned \$10,927 and \$10,609 of company management fees from the J AULD APTS project for each of the years ended December 31, 2023 and 2022, respectively, with \$321,260 and \$310,333 still outstanding at December 31, 2023 and 2022.

The consolidated entities had no transactions with STHC in either year presented herein.

**NOTE 14 PLEDGES RECEIVABLE**

In 2023 the Foundation was the recipient of a \$1.5 million purpose-restricted unconditional contribution payable in installments due over two years in support of its Equity Healing Framework Program. The first installment of \$1,000,000 was received in 2023, with the remaining \$500,000 due in 2024. In 2023, the Foundation filed with the IRS a claim for \$198,846 pursuant to the Employee Retention Credit program. The Foundation has recorded this in 2023 revenue as a form of government grant, the outstanding receivable for which is included with pledges receivable. In 2022, EHCAF was the recipient of a \$200,000 purpose-restricted unconditional contribution in support of its Capital Leverage Fund, which was collected in 2023. 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:

	2023	2022
Due in 2023	\$ -	\$ 200,000
Due in 2024	698,846	-
Face Value	698,846	200,000
Unamortized Discount at Effective Interest Rate	-	-
Fair Market Value	<u>\$ 698,846</u>	<u>\$ 200,000</u>

**EMPIRE HEALTH FOUNDATION  
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**NOTE 15 GRANTS PAYABLE**

In 2023, EHF made unconditional one-time grant commitments of \$12,500 in support of various nonprofit organizations. These 2023 commitments were subsequently paid in 2024. In 2022, EHF made unconditional one-time grant commitments of \$213,000 in support of various nonprofit organizations. These 2022 commitments were subsequently paid in 2023.

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

	2023	2022
Due in 2023	\$ -	\$ 213,000
Due in 2024	12,500	-
Face Value	<u>12,500</u>	<u>213,000</u>
Unamortized Discount at Effective Interest Rate	-	-
Fair Market Value	<u>\$ 12,500</u>	<u>\$ 213,000</u>

During 2023, EHF and EHCAF made conditional grant commitments of \$500,000 and \$250,000, respectively. As of December 31, 2023 and through the date of this report, none of the specified conditions have been satisfied by the respective grantees. Conditional grants are only recorded in the Consolidated Statement of Activities and Changes in Net Assets in the year in which such conditions are satisfied.

**NOTE 16 FUNDS HELD FOR OTHERS**

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. 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.

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

	Funds Held for Others
Balance - December 31, 2021	\$ 2,896
Concrete Goods Contract Funds Received	3,679
Less Revenue Earned or Funds Received	<u>(6,575)</u>
Balance - December 31, 2022	<u>\$ -</u>

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 was 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 retained ultimate authority to determine the grantees and grant award

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**NOTE 16 FUNDS HELD FOR OTHERS (CONTINUED)**

amounts, resulting in an agency relationship with PIA. 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. During 2022, in view of the missions and evolving focuses of each organization, the parties decided to terminate the arrangement, with all unexpended funds being returned to Premera.

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

	Funds Held Premera
Balance - December 31, 2021	\$ 2,328,926
Investment Income, Net of Expenses	1,374
Direct Costs Incurred	(41,919)
Indirect Costs Allowed	(59,636)
Grants Disbursed on Behalf of the Funders	(1,453,964)
Amounts Returned at Funder Direction	(774,781)
Balance - December 31, 2022	<u>\$ -</u>

**EMPIRE HEALTH FOUNDATION**  
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<b>ASSETS</b>	Empire Health Foundation	Philanthropy Center, LLC	Sunset Health, LLC	Empire Health Community Advocacy Fund	Eliminations	Consolidated Totals
Cash and Cash Equivalents	\$ 1,333,597	\$ 148,761	\$ 4,764	\$ 1,421,888	\$ -	\$ 2,909,010
Accounts Receivable	1,607,169	7,653	-	-	(25,553)	1,589,269
Pledges Receivable, Net	698,846	-	-	-	-	698,846
Grants Receivable	-	-	-	-	-	-
Investments	76,324,729	-	-	18,319,737	-	94,644,466
Notes and Loans Receivable	530,000	-	-	-	-	530,000
Beneficial Interest in Trusts	259,567	-	-	-	-	259,567
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	33,932	2,296,954	450,097	-	-	2,780,983
Prepaid Expense	332,749	2,115	5,040	380	-	340,284
Other Assets	4,523,082	23,853	-	45,531	(4,258,803)	333,663
<b>Total Assets</b>	<b><u>\$ 85,643,671</u></b>	<b><u>\$ 2,479,336</u></b>	<b><u>\$ 459,901</u></b>	<b><u>\$ 19,787,536</u></b>	<b><u>\$ (4,284,356)</u></b>	<b><u>\$ 104,086,088</u></b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 739,422	\$ 46,797	\$ -	\$ 37,065	\$ (25,553)	\$ 797,731
Accrued Salaries, Wages, and Employee Benefits	120,576	-	-	91	-	120,667
Grants and Pledges Payable	12,500	-	-	-	-	12,500
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	45,000	-	-	-	-	45,000
<b>Total Liabilities</b>	<b><u>917,498</u></b>	<b><u>46,797</u></b>	<b><u>-</u></b>	<b><u>37,156</u></b>	<b><u>(25,553)</u></b>	<b><u>975,898</u></b>
<b>NET ASSETS</b>						
Without Donor Restrictions	82,995,951	(1,307,961)	(58,402)	19,033,380	-	100,662,968
With Donor Restrictions	1,730,222	-	-	717,000	-	2,447,222
Member Capital	-	3,740,500	518,303	-	(4,258,803)	-
<b>Total Net Assets</b>	<b><u>84,726,173</u></b>	<b><u>2,432,539</u></b>	<b><u>459,901</u></b>	<b><u>19,750,380</u></b>	<b><u>(4,258,803)</u></b>	<b><u>103,110,190</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 85,643,671</u></b>	<b><u>\$ 2,479,336</u></b>	<b><u>\$ 459,901</u></b>	<b><u>\$ 19,787,536</u></b>	<b><u>\$ (4,284,356)</u></b>	<b><u>\$ 104,086,088</u></b>



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<b>ASSETS</b>	Empire Health Foundation	Philanthropy Center, LLC	Sunset Health, LLC	Empire Health Community Advocacy Fund	Eliminations	Consolidated Totals
Cash and Cash Equivalents	\$ 3,358,171	\$ 129,686	\$ 10,115	\$ 1,962,197	\$ -	\$ 5,460,169
Accounts Receivable	928,005	-	2,000	-	(21,119)	908,886
Pledges Receivable, Net	-	-	-	200,000	-	200,000
Investments	71,761,186	-	-	16,705,803	-	88,466,989
Notes and Loans Receivable	680,000	-	-	-	-	680,000
Beneficial Interest in Trusts	235,687	-	-	-	-	235,687
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	58,251	2,389,078	430,481	-	-	2,877,810
Prepaid Expense	419,703	2,073	3,924	359	-	426,059
Other Assets	4,383,312	-	-	27,153	(4,230,803)	179,662
<b>Total Assets</b>	<b><u>\$ 81,824,315</u></b>	<b><u>\$ 2,520,837</u></b>	<b><u>\$ 446,520</u></b>	<b><u>\$ 18,895,512</u></b>	<b><u>\$ (4,251,922)</u></b>	<b><u>\$ 99,435,262</u></b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 481,144	\$ 12,524	\$ -	\$ 48,045	\$ (21,119)	\$ 520,594
Annuities Payable	55,000	-	-	-	-	55,000
Accrued Salaries, Wages, and Employee Benefits	93,436	-	-	723	-	94,159
Grants and Pledges Payable	213,000	-	-	-	-	213,000
Debt Payable	-	-	-	-	-	-
Funds Held for Others	-	-	-	-	-	-
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	59,000	-	-	-	-	59,000
<b>Total Liabilities</b>	<b><u>901,580</u></b>	<b><u>12,524</u></b>	<b><u>-</u></b>	<b><u>48,768</u></b>	<b><u>(21,119)</u></b>	<b><u>941,753</u></b>
<b>NET ASSETS</b>						
Without Donor Restrictions	79,329,138	(1,232,187)	(43,783)	17,716,905	-	95,770,073
With Donor Restrictions	1,593,597	-	-	1,129,839	-	2,723,436
Member Capital	-	3,740,500	490,303	-	(4,230,803)	-
<b>Total Net Assets</b>	<b><u>80,922,735</u></b>	<b><u>2,508,313</u></b>	<b><u>446,520</u></b>	<b><u>18,846,744</u></b>	<b><u>(4,230,803)</u></b>	<b><u>98,493,509</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 81,824,315</u></b>	<b><u>\$ 2,520,837</u></b>	<b><u>\$ 446,520</u></b>	<b><u>\$ 18,895,512</u></b>	<b><u>\$ (4,251,922)</u></b>	<b><u>\$ 99,435,262</u></b>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2023**  
(SEE INDEPENDENT AUDITORS' REPORT)

	Empire Health Foundation			Philanthropy Center, LLC	Sunset Health, LLC
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions
<b>REVENUE AND SUPPORT</b>					
Contributions	\$ 998,846	\$ 1,500,000	\$ 2,498,846	\$ -	\$ -
Program Revenue	5,473,641	-	5,473,641	-	-
Investment Income, Net of Expenses	1,005,051	27,946	1,032,997	-	-
Net Realized Gain from Investments	1,056,938	10,888	1,067,826	-	-
Net Unrealized Gain from Investments	7,583,584	16,705	7,600,289	-	-
Other Income	356,294	-	356,294	197,967	24,000
Distributions	-	(6,500)	(6,500)	-	-
Net Assets Released from Restrictions	1,412,414	(1,412,414)	-	-	-
Total Revenue and Support	17,886,768	136,625	18,023,393	197,967	24,000
<b>EXPENSES</b>					
Grants Expenses	3,601,189	-	3,601,189	-	-
Provider Services	5,257,729	-	5,257,729	-	-
Salaries, Payroll Taxes, and Benefits	3,285,477	-	3,285,477	-	-
Professional Services	1,133,551	-	1,133,551	125	-
Rent and Office Expenses	299,910	-	299,910	157,044	605
Other General and Administrative Expenses	532,150	-	532,150	7,062	5,831
Depreciation of Fixed Assets	24,318	-	24,318	109,024	22,698
Excise and Property Taxes	33,856	-	33,856	486	9,485
Trailing: Other EHS Trailing Administration Expenses	51,775	-	51,775	-	-
Total Expenses	14,219,955	-	14,219,955	273,741	38,619
Member Contributions	-	-	-	-	28,000
<b>CHANGES IN NET ASSETS</b>	3,666,813	136,625	3,803,438	(75,774)	13,381
Net Assets - Beginning of Year	79,329,138	1,593,597	80,922,735	2,508,313	446,520
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 82,995,951</u>	<u>\$ 1,730,222</u>	<u>\$ 84,726,173</u>	<u>\$ 2,432,539</u>	<u>\$ 459,901</u>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Empire Health Community Advocacy Fund				
Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated Totals
\$ -	\$ -	\$ -	\$ -	\$ 2,498,846
-	-	-	-	5,473,641
335,218	-	335,218	-	1,368,215
(305,296)	-	(305,296)	-	762,530
2,383,823	-	2,383,823	-	9,984,112
-	-	-	(413,832)	164,429
-	-	-	-	(6,500)
412,839	(412,839)	-	-	-
<u>2,826,584</u>	<u>(412,839)</u>	<u>2,413,745</u>	<u>(413,832)</u>	<u>20,245,273</u>
1,108,664	-	1,108,664	-	4,709,853
-	-	-	-	5,257,729
238,659	-	238,659	(235,915)	3,288,221
67,624	-	67,624	-	1,201,300
5,550	-	5,550	(175,730)	287,379
89,356	-	89,356	(2,187)	632,212
-	-	-	-	156,040
256	-	256	-	44,083
-	-	-	-	51,775
<u>1,510,109</u>	<u>-</u>	<u>1,510,109</u>	<u>(413,832)</u>	<u>15,628,592</u>
-	-	-	(28,000)	-
1,316,475	(412,839)	903,636	(28,000)	4,616,681
<u>17,716,905</u>	<u>1,129,839</u>	<u>18,846,744</u>	<u>(4,230,803)</u>	<u>98,493,509</u>
<u>\$ 19,033,380</u>	<u>\$ 717,000</u>	<u>\$ 19,750,380</u>	<u>\$ (4,258,803)</u>	<u>\$ 103,110,190</u>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2022**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Empire Health Foundation			Philanthropy	Philanthropy	Sunset
	Without Donor Restrictions	With Donor Restrictions	Total	Center, LLC Without Donor Restrictions	In Action Without Donor Restrictions	Health, LLC Without Donor Restrictions
<b>REVENUE AND SUPPORT</b>						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program Revenue	1,228,227	-	1,228,227	-	59,637	-
Investment Income, Net of Expenses	776,468	16,267	792,735	-	461	-
Net Realized Gain from Investments	604,020	9,481	613,501	-	-	-
Net Unrealized Loss from						
Investments	(16,627,521)	(64,997)	(16,692,518)	-	-	-
Other Income	210,676	-	210,676	177,112	-	24,000
Distributions	-	(18,213)	(18,213)	-	-	-
Net Assets Released from Restrictions	2,439,849	(2,439,849)	-	-	-	-
Total Revenue and Support	<u>(11,368,281)</u>	<u>(2,497,311)</u>	<u>(13,865,592)</u>	<u>177,112</u>	<u>60,098</u>	<u>24,000</u>
<b>EXPENSES</b>						
Grants Expenses	2,657,137	-	2,657,137	-	127,600	-
Provider Services	1,090,189	-	1,090,189	-	-	-
Salaries, Payroll Taxes, and Benefits	2,650,776	-	2,650,776	-	-	-
Professional Services	1,081,932	-	1,081,932	125	18,174	3,563
Rent and Office Expenses	203,674	-	203,674	151,646	13	388
Other General and Administrative						
Expenses	436,460	-	436,460	749	10,170	4,668
Depreciation of Fixed Assets	29,816	-	29,816	116,030	-	20,794
Excise and Property Taxes	34,216	-	34,216	12	-	9,987
Interest Expense	-	-	-	-	-	-
Trailing: Other EHS Trailing Administration						
Expenses	21,421	-	21,421	-	-	-
Total Expenses	<u>8,205,621</u>	<u>-</u>	<u>8,205,621</u>	<u>268,562</u>	<u>155,957</u>	<u>39,400</u>
<b>CHANGES IN NET ASSETS BEFORE OTHER INCOME (EXPENSE)</b>	<u>(19,573,902)</u>	<u>(2,497,311)</u>	<u>(22,071,213)</u>	<u>(91,450)</u>	<u>(95,859)</u>	<u>(15,400)</u>
<b>OTHER INCOME (EXPENSES)</b>						
Loss on Deconsolidation	-	-	-	-	-	-
Member Contributions	-	-	-	-	-	60,060
<b>CHANGES IN NET ASSETS</b>	<u>(19,573,902)</u>	<u>(2,497,311)</u>	<u>(22,071,213)</u>	<u>(91,450)</u>	<u>(95,859)</u>	<u>44,660</u>
Net Assets - Beginning of Year	<u>98,903,040</u>	<u>4,090,908</u>	<u>102,993,948</u>	<u>2,599,763</u>	<u>95,859</u>	<u>401,860</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 79,329,138</u>	<u>\$ 1,593,597</u>	<u>\$ 80,922,735</u>	<u>\$ 2,508,313</u>	<u>\$ -</u>	<u>\$ 446,520</u>

**EMPIRE HEALTH FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**  
**(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		
\$ -	\$ 212,195	\$ 212,195	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 222,195
-	-	-	23,358,916	-	23,358,916	-	24,646,780
222,925	-	222,925	-	-	-	-	1,016,121
(393,350)	-	(393,350)	-	-	-	-	220,151
(3,333,176)	-	(3,333,176)	-	-	-	-	(20,025,694)
-	-	-	-	-	-	(377,224)	34,564
-	-	-	-	-	-	-	(18,213)
52,356	(52,356)	-	20,096	(20,096)	-	-	-
(3,451,245)	159,839	(3,291,406)	23,389,012	(20,096)	23,368,916	(377,224)	6,095,904
110,000	-	110,000	11,497	-	11,497	-	2,906,234
-	-	-	20,997,625	-	20,997,625	-	22,087,814
61,706	-	61,706	2,126,490	-	2,126,490	(187,785)	4,651,187
52,474	-	52,474	80,116	-	80,116	(144)	1,236,240
7,052	-	7,052	152,307	-	152,307	(186,755)	328,325
10,424	-	10,424	83,461	-	83,461	(2,540)	543,392
-	-	-	-	-	-	-	166,640
-	-	-	-	-	-	-	44,215
-	-	-	16,458	-	16,458	-	16,458
-	-	-	-	-	-	-	21,421
241,656	-	241,656	23,467,954	-	23,467,954	(377,224)	32,001,926
(3,692,901)	159,839	(3,533,062)	(78,942)	(20,096)	(99,038)	-	(25,906,022)
-	-	-	(820,355)	-	(820,355)	-	(820,355)
-	-	-	-	-	-	(60,060)	-
(3,692,901)	159,839	(3,533,062)	(899,297)	(20,096)	(919,393)	(60,060)	(26,726,377)
21,409,806	970,000	22,379,806	899,297	20,096	919,393	(4,170,743)	125,219,886
<u>\$ 17,716,905</u>	<u>\$ 1,129,839</u>	<u>\$ 18,846,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,230,803)</u>	<u>\$ 98,493,509</u>



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