

EMPIRE HEALTH FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2019 AND 2018



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**EMPIRE HEALTH FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Empire Health Foundation
Spokane, Washington

Report on the Consolidated Financial Statements

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, 2019 and 2018, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

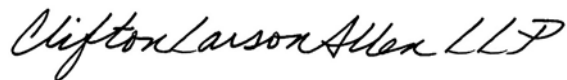
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Empire Health Foundation as of December 31, 2019 and 2018, 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.

Report on 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 of the consolidated financial statements 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 combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Spokane, Washington
September 25, 2020

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS	2019	2018
Cash and Cash Equivalents	\$ 23,815,588	\$ 3,772,187
Accounts Receivable, Net of Allowance for Loss of \$1,441 and \$5,600, Respectively	1,709,782	1,748,399
Pledges Receivable, Net	1,000,000	1,779,839
Investments	92,999,120	79,779,802
Notes and Loans Receivable	1,530,000	1,000,000
Beneficial Interest in Trusts	283,165	256,032
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	3,294,717	3,090,110
Prepaid Expense	723,840	848,091
Other Assets	224,561	228,731
Total Assets	\$ 125,580,773	\$ 92,503,191
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,330,812	\$ 1,658,738
Annuities Payable	43,227	45,915
Accrued Salaries, Wages, and Employee Benefits	164,605	229,580
Grants and Pledges Payable	458,748	521,553
Deferred Revenue	338,560	-
Funds Held for Others	15,816,235	10,562,917
Liabilities Assumed from Empire Health Services:		
Amounts Due Under Cost Reimbursement Programs	-	3,118,106
Workers' Compensation Self-Insurance Liability	82,000	58,000
Total Liabilities	18,234,187	16,194,809
NET ASSETS		
Without Donor Restrictions	104,865,406	71,964,696
With Donor Restrictions	2,481,180	4,343,686
Total Net Assets	107,346,586	76,308,382
Total Liabilities and Net Assets	\$ 125,580,773	\$ 92,503,191

See accompanying Notes to Consolidated Financial Statements.

EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 618,143	\$ 61,498	\$ 679,641
Program Revenue	13,365,963	-	13,365,963
Investment Income, Net of Expenses	877,782	35,331	913,113
Net Realized Gain from Investments	4,056,164	9,366	4,065,530
Net Unrealized Gain (Loss) from Investments	8,664,093	41,232	8,705,325
Other Income	22,673,786	-	22,673,786
Distributions	-	(20,255)	(20,255)
Net Assets Released from Restrictions	1,989,678	(1,989,678)	-
Total Revenue and Support	<u>52,245,609</u>	<u>(1,862,506)</u>	<u>50,383,103</u>
EXPENSES			
Grants Expenses	2,485,359	-	2,485,359
Provider Services	11,020,251	-	11,020,251
Concrete Goods Deliveries	23,859	-	23,859
Salaries, Payroll Taxes, and Benefits	4,326,152	-	4,326,152
Professional Services	1,660,291	-	1,660,291
Rent and Office Expenses	460,266	-	460,266
Other General and Administrative Expenses	822,002	-	822,002
Depreciation of Fixed Assets	201,818	-	201,818
Excise and Property Taxes	125,838	-	125,838
Trailing: Other Business Litigation	1,236,552	-	1,236,552
Trailing: Other EHS Trailing Administration Expenses	(3,017,489)	-	(3,017,489)
Total Expenses	<u>19,344,899</u>	<u>-</u>	<u>19,344,899</u>
CHANGES IN NET ASSETS	32,900,710	(1,862,506)	31,038,204
Net Assets – Beginning of Year	<u>71,964,696</u>	<u>4,343,686</u>	<u>76,308,382</u>
NET ASSETS – END OF YEAR	<u>\$ 104,865,406</u>	<u>\$ 2,481,180</u>	<u>\$ 107,346,586</u>

See accompanying Notes to Consolidated Financial Statements.

EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 4,043	\$ 2,006,505	\$ 2,010,548
Program Revenue	10,683,208	-	10,683,208
Investment Income, Net of Expenses	988,502	23,433	1,011,935
Net Realized Gain from Investments	2,551,985	29,157	2,581,142
Net Unrealized Gain (Loss) from Investments	(7,516,558)	(81,464)	(7,598,022)
Other Income	1,801,308	-	1,801,308
Distributions	-	(20,022)	(20,022)
Net Assets Released from Restrictions	1,271,654	(1,271,654)	-
Total Revenue and Support	9,784,142	685,955	10,470,097
EXPENSES			
Grants Expenses	2,176,528	-	2,176,528
Provider Services	8,639,418	-	8,639,418
Concrete Goods Deliveries	9,068	-	9,068
Salaries, Payroll Taxes, and Benefits	4,204,411	-	4,204,411
Professional Services	1,042,868	-	1,042,868
Rent and Office Expenses	409,860	-	409,860
Other General and Administrative Expenses	787,652	-	787,652
Depreciation of Fixed Assets	306,079	-	306,079
Excise and Property Taxes	92,281	-	92,281
Trailing: Other Business Litigation	815,843	-	815,843
Trailing: Other EHS Trailing Administration Expenses	227,622	-	227,622
Total Expenses	18,711,630	-	18,711,630
CHANGES IN NET ASSETS	(8,927,488)	685,955	(8,241,533)
Net Assets – Beginning of Year	80,892,184	3,657,731	84,549,915
NET ASSETS – END OF YEAR	\$ 71,964,696	\$ 4,343,686	\$ 76,308,382

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services			Total Program Services	Management and General	Total
	Empire Health Foundation	Family Impact Network	Philanthropy In Action			
Grants Expenses	\$ 2,455,359	\$ -	\$ 30,000	\$ 2,485,359	\$ -	\$ 2,485,359
Provider Services	-	11,020,251	-	11,020,251	-	11,020,251
Concrete Goods Deliveries	-	23,859	-	23,859	-	23,859
Salaries, Payroll Taxes, and Benefits	1,169,402	1,128,903	-	2,298,305	2,027,847	4,326,152
Professional Services	583,584	101,681	106,566	791,831	868,460	1,660,291
Rent and Office Expenses	36,857	92,995	-	129,852	330,414	460,266
Other General and Administrative Expenses	168,253	170,197	8,291	346,741	475,261	822,002
Depreciation of Fixed Assets	-	-	-	-	201,818	201,818
Excise and Property Taxes	8,254	-	435	8,689	117,149	125,838
Trailing: Other Business Litigation	-	-	-	-	1,236,552	1,236,552
Trailing: Other EHS Trailing Administration Expenses	-	-	-	-	(3,017,489)	(3,017,489)
Total Functional Expenses	<u>\$ 4,421,709</u>	<u>\$ 12,537,886</u>	<u>\$ 145,292</u>	<u>17,104,887</u>	<u>\$ 2,240,012</u>	<u>\$ 19,344,899</u>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services			Total Program Services	Management and General	Total
	Empire Health Foundation	Family Impact Network	Philanthropy In Action			
Grants Expenses	\$ 1,969,028	\$ -	\$ 207,500	\$ 2,176,528	\$ -	\$ 2,176,528
Provider Services	-	8,639,418	-	8,639,418	-	8,639,418
Concrete Goods Deliveries	-	9,068	-	9,068	-	9,068
Salaries, Payroll Taxes, and Benefits	1,119,063	759,910	-	1,878,973	2,325,438	4,204,411
Professional Services	502,098	57,882	165,431	725,411	317,457	1,042,868
Rent and Office Expenses	29,795	62,188	-	91,983	317,877	409,860
Other General and Administrative Expenses	202,614	24,749	600	227,963	559,689	787,652
Depreciation of Fixed Assets	-	-	-	-	306,079	306,079
Excise and Property Taxes	7,638	-	-	7,638	84,643	92,281
Trailing: Other Business Litigation	-	-	-	-	815,843	815,843
Trailing: Other EHS Trailing Administration Expenses	-	-	-	-	227,622	227,622
Total Functional Expenses	<u>\$ 3,830,236</u>	<u>\$ 9,553,215</u>	<u>\$ 373,531</u>	<u>\$ 13,756,982</u>	<u>\$ 4,954,648</u>	<u>\$ 18,711,630</u>

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions and Other Revenue and Support	\$ 38,775,210	\$ 14,922,291
Net Cash Received from Agency Transactions	5,253,318	10,010,533
Cash Paid to Employees and Vendors	(19,149,834)	(14,912,264)
Cash Paid for Grants	(3,450,405)	(1,849,957)
Net Cash Provided by Operating Activities	21,428,289	8,170,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes and Loans Advanced	(530,000)	-
Purchases of Investments	(26,535,963)	(29,836,668)
Proceeds from Sale of Investments	27,077,973	22,857,339
Reinvest Investment Earnings	(990,473)	(1,028,942)
Purchase of Land, Building, and Equipment	(406,425)	(36,804)
Net Cash Used by Investing Activities	(1,384,888)	(8,045,075)
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,043,401	125,528
Cash and Cash Equivalents – Beginning of Year	3,772,187	3,646,659
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 23,815,588	\$ 3,772,187
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ 31,038,204	\$ (8,241,533)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized Loss (Gain) from Investments	(12,770,855)	5,016,880
Loss (Gain) From Beneficial Interest in Trusts	(27,133)	42,874
Depreciation Expense	201,818	306,079
(Increase) Decrease in Assets:		
Accounts Receivable	38,617	162,233
Pledges Receivable	779,839	197,810
Prepaid Expense	124,251	82,902
Other Assets	4,170	(37,314)
Increase (Decrease) in Liabilities:		
Accounts Payable	(327,926)	578,769
Accrued Salaries, Wages, and Employee Benefits	(64,975)	27,097
Grants and Pledges Payable	(62,805)	110,869
Deferred Revenue	338,560	(118,968)
Cost Reimbursement Programs	(3,118,106)	-
Funds Held for Others	5,253,318	10,010,533
Workers' Compensation Self-Insurance Liability	24,000	31,000
Annuities Payable	(2,688)	1,372
Total Adjustments	(9,609,915)	16,412,136
Net Cash Provided by Operating Activities	\$ 21,428,289	\$ 8,170,603

See accompanying Notes to Consolidated Financial Statements.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Empire Health Foundation (the Foundation) was incorporated in the state of Washington on August 22, 2008, for the purpose of continually bringing good health to life in the Greater Spokane Region through the promotion, facilitation, and/or funding of health initiatives, education, and research. The Foundation is a private foundation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Foundation was formed 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 EHS operational accounts payable, amounts due under cost reimbursement programs, accrued salaries and related expenses for EHS employees, professional malpractice liabilities, 403(b) transition liabilities, workers' compensation self-insurance liabilities, COBRA liability, 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.

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 is the sole member of FIN and has a controlling financial interest in FIN requiring consolidation within these consolidated financial statements.

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. In 2018, PIA became the agent for receiving, holding, and disbursing funds appropriated for or otherwise awarded to the Andy Hill Cancer Research Endowment (AHCRC), a state of Washington commitment to sustained investment in cancer research, prevention, and care. In 2019, PIA became the agent for receiving, holding and disbursing funds provided by Premera Blue Cross for granting to rural healthcare providers in Washington State for capital improvements. PIA is a public charity exempt from federal income tax under Section 501(c)(3) of the IRC. The Foundation is the sole member of PIA and has a controlling financial interest in PIA requiring consolidation within these consolidated financial statements.

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.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

Basis of Accounting

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

Basis of Presentation

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

Principles of Consolidation

The accompanying 2019 and 2018 consolidated financial statements include the accounts of the Foundation in consolidation with its affiliates FIN, PIA, SSH, EHCAF and PC LLC, as of and for the years ended December 31, 2019 and 2018. All material inter-entity balances are eliminated.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Functional Allocation of Expenses

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

Revenue Recognition

Contributions, including unconditional promises to give, are recognized when received. All contributions are available for use without restriction unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at fair value, estimated using the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Unconditional promises to give are reported net of any allowance for uncollectible amounts. The consolidated entities consider all unconditional promises to give at December 31, 2019 and 2018 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, 2019 and 2018

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.

Program revenue includes revenue related to child welfare programs and is recognized at the time the service is provided. As services are performed by providers that FIN contracts with, amounts are billed to DCYF and recognized as accounts receivable and revenue. These amounts are also recognized by FIN as accounts payable and expense because the amounts are ultimately owed to the service providers. Under the contract with DCYF, FIN receives certain funds in advance and recognizes revenue over time as services are performed in accordance with the contract. These funds are included in deferred revenue on the statement of financial position (see Note 15 for more information on deferred revenue).

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

DCYF also provides a significant portion of the funding for the Network Administrator contract on a reimbursement basis. For those expenses, revenue is recognized as the expenses are incurred.

EHF earns program revenue by providing administrative and accounting support to related entities such as FIN, BHT, STHC and PIA. This revenue is recognized monthly as the services are provided. EHF and PIA also earn revenue from contracts with funders to manage grant funding programs. This revenue is recognized as services are provided. See Note 15 for more information on deferred revenue. EHF and PIA hold the managed funds until funding decisions are made and have treated the funds as agency transactions.

Contract assets and liabilities consist of:

	2019	2018
Accounts Receivable:		
FIN	\$ 1,342,740	\$ 1,110,570
EHF	\$ 404,800	\$ 688,491
	2019	2018
FIN:		
Deferred Revenue	\$ 310,303	\$ -
Funds Held for Others	295,167	6,590
Total	\$ 605,470	\$ 6,590
	2019	2018
PIA:		
Deferred Revenue	\$ 28,257	\$ -
Funds Held for Others	15,521,068	10,556,327
Total	\$ 15,549,325	\$ 10,556,327

Cash and Cash Equivalents

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

Receivables

Accounts receivables are recorded at the original invoice amount, less allowance for loss. At December 31, 2019 and 2018, FIN considered \$1,441 and \$5,600, respectively, of its accounts receivable to be doubtful as to collection, recognizing a corresponding allowance for loss. Pledges receivable due within one year are recorded at net realizable value.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables (Continued)

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, 2019 and 2018, to be fully collectible; accordingly, no allowance for loss has been recorded. See Note 13 for further detail regarding pledges receivable.

Investments

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

Mortgage Loans

Mortgage loans receivable are carried at cost, less allowance for loss. The consolidated entities consider the mortgage loans receivable at December 31, 2019 to be fully collectible; accordingly, no allowance for loss is considered necessary.

Land, Building, and Equipment

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.

Inventory

Inventory is recorded using the average cost or net realizable value.

Concentration of Credit 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.

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. However, the Foundation remains potentially obligated for any plan administrative errors occurring prior to the plan termination.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefit Plans (Continued)

No such obligation is recorded within these financial statements. The Foundation established a defined contribution 401(k) retirement plan effective January 1, 2010. FIN established a defined contribution 401(k) retirement plan effective January 1, 2015. See Note 10.

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 a disregarded entity into the Foundation's annual Return of a Private Foundation. The IRC imposes an excise tax of 2% (reduced to 1% if certain requirements are met) on net investment income of private foundations, such as the Foundation. Excise tax payable included in accounts payable was \$26,821 and \$30,575 as of December 31, 2019 and 2018, respectively. The Foundation has determined that revenues it receives for the provision of administrative services and leased employees to its related entities are subject to the federal tax on unrelated business income (UBIT). Consequently, in addition to annually filing Form 990-PF, the Foundation also annually files form 990-T to report its UBIT activity. Because the revenues are charged at cost to the affiliates, no UBIT tax obligation or expense has been incurred or recorded through any annual period up to and including the years ending December 31, 2019 and 2018, respectively. EHCAF is exempt from federal income tax pursuant to IRC Section 501(c)(4). While not required to do so, EHCAF intends to file Form 1024-A to receive an official determination letter of IRS recognition of its section 501(c)(4) status.

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.

Change in Accounting Principle

Revenue from Contracts with Customers

In 2019, the consolidated entities adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

Revenue from Contracts with Customers (Continued)

There was no material impact on the consolidated entities' financial position and results of operations upon adoption of the new standard

In June 2018 FASB issued Accounting Standard Update (ASU) 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transaction determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed for exchange transactions, Topic 606 should be followed. The financial statements reflect the application for ASU 2018-08 for contributions received.

New Accounting Pronouncement Effective in Future Accounting Periods

Leases

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

The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard will be effective for the entity for annual periods beginning after December 15, 2021; however, early application is permitted. Management is currently evaluating the impact this guidance will have on its consolidated financial statements.

Subsequent Events

Subsequent events have been evaluated through September 25, 2020, which is the date the consolidated financial statements were available to be issued.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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:

	2019	2018
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 23,815,588	\$ 3,772,187
Accounts Receivable, Net	1,709,782	1,748,399
Pledges Receivable, Net	1,000,000	1,779,839
Investments	92,999,120	79,779,802
Notes and Loans Receivable	1,530,000	1,000,000
Beneficial Interest in Trusts	283,165	256,032
Total Financial Assets	121,337,655	88,336,259
Less: Amounts Not Available to Be Used		
Within One Year:		
Investments in Nonliquid Alternative Investments	(2,657,358)	(1,545,419)
Investments Held in Custodial Accounts	(633,535)	(634,071)
Investments Securing Charitable Remainder Trusts	(88,813)	(76,616)
Cash and Investments Held for Others	(15,521,068)	(10,556,327)
Pledges Receivable With Donor Restrictions	(1,000,000)	(1,779,839)
Other Net Assets With Donor Restrictions	(1,481,180)	(2,563,847)
Mortgages Notes Reserved for Conversion	(530,000)	(1,000,000)
Less: Accounts Payable (PC)	(14,080)	(29,736)
Less: Targeted for Maintenance Reserve (PC)	(3,248)	(2,080)
Deferred Revenue Related to Restricted Purposes	(28,257)	-
Amounts Restricted for Provider Payments	(1,114,547)	(860,176)
Amounts Held for Others, Excluding Inventory	(265,336)	(500,000)
Financial Assets Unavailable for Use		
Within One Year	(23,337,422)	(19,548,111)
Financial Assets Available to Meet		
General Expenditures Within One Year	\$ 98,000,233	\$ 68,788,148

Following is a summary of the practices of each:

Empire Health Foundation

The Foundation is an endowed entity. Approximately 96% of the Foundation's endowed investments are held in marketable instruments that could be liquidated at fair value within a short period of time. The income from its endowed investments, including capital appreciation, is used to fund program services and general expenditures. It also receives revenues without donor restrictions that fund certain program services, as well as costs incurred in the provision of providing its affiliates with leased employees and administrative services. Lastly, the Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions, which include both re-granting and administrative costs.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

Empire Health Foundation (Continued)

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

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

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

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

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

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

Empire Health Foundation (Continued)

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

	<u>2019</u>	<u>2018</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,524,504	2,737,282
Accounts Receivable, Net	404,800	688,491
Pledges Receivable, Net	1,000,000	1,779,839
Investments	77,794,608	69,223,475
Notes and Loans Receivable	1,530,000	1,500,000
Beneficial Interest in Trusts	283,165	256,032
Total Financial Assets	<u>82,537,077</u>	<u>76,185,119</u>
Less: Amounts Not Available to Be Used		
Within One Year:		
Investments in Nonliquid Alternative Investments	(2,657,358)	(1,545,419)
Investments Held in Custodial Accounts	(633,535)	(634,071)
Investments Securing Charitable Remainder Trusts	(88,813)	(76,616)
Pledges Receivable With Donor Restrictions	(1,000,000)	(1,779,839)
Other Net Assets With Donor Restrictions	(1,454,855)	(2,563,847)
Mortgages Notes Reserved for Conversion	(530,000)	(1,000,000)
Financial Assets Unavailable for Use		
Within One Year	<u>(6,364,561)</u>	<u>(7,599,792)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 76,172,516</u>	<u>\$ 68,585,327</u>

Philanthropy Center LLC

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

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

Philanthropy Center LLC (Continued)

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

	2019	2018
Cash and Cash Equivalents	\$ 26,040	\$ 36,502
Accounts Receivable, Net	-	520
Less: Accounts Payable	(14,080)	(29,736)
Less: Targeted for Maintenance Reserve	(3,248)	(2,080)
Net Cash Available	<u>\$ 8,712</u>	<u>\$ 5,206</u>
30 Days Average Budgeted Cash Expenses	<u>\$ 13,185</u>	<u>\$ 12,555</u>
Percentage of Cash Target on Hand	<u>66%</u>	<u>41%</u>

At December 31, 2018, PC LLC's cash on hand was below the targeted level. When this occurs, 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. Although PC LLC's cash was below the targeted level at December 31, 2019, it has since improved to be above the targeted levels as of August 2020. Consequently, the lease provision requiring payment of variable rent on the part of the Foundation was not invoked.

Philanthropy in Action

Through 2018, PIA's primary source of funding has been grants from the Foundation and funds received from AHCRE. The funding from the Foundation has been generally purpose-restricted in support of the Foundation's strategic program initiatives. Consequently, these funds are committed only to the extent received and once the funds have been used there are no further commitments on the part of PIA. Funding for AHCRE is restricted for grant-making as determined by AHCRE's board and said grant-making would not exceed the amount of AHCRE funds received for that purpose. Beginning in 2019, PIA began administering a \$5 million capital facilities grant fund to benefit rural hospitals in the State of Washington, but all such funding is purpose restricted pursuant to the terms of the governing agreement and related disbursements are subject to approval of the funder. This new funding source allows for an indirect cost allowance of 5%, or approximately \$60,000, per year over the four-year term of the grant fund. Aside from these restricted activities, the general expenditures of PIA have been minimal at approximately \$9,000 annually for its first two operational years ended December 31, 2019 and 2018.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

Philanthropy in Action (Continued)

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

	<u>2019</u>	<u>2018</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 718,003	\$ 156,951
Investments	<u>15,204,512</u>	<u>10,556,327</u>
Total Financial Assets	15,922,515	10,713,278
Less: Amounts Not Available to Be Used Within One Year:		
Cash and Investments Held for Others	(15,521,068)	(10,556,327)
Deferred Revenue Related to Restricted Purposes	(28,257)	-
Net Assets Restricted for Foundation Programs	<u>(363,075)</u>	<u>(140,077)</u>
Financial Assets Unavailable for Use Within One Year:	<u>(15,912,400)</u>	<u>(10,696,404)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 10,115</u>	<u>\$ 16,874</u>

Sunset Health LLC

SSH's primary sources of funding are the net operating income from the leasing of real property and member contributions by the Foundation. With respect to the leasing operation, a portion of the property owned by SSH is leased to a nonprofit which sub-leases converted units of an aging motel property at nominal prices to residents of a sober living program. The nonprofit pays rents to SSH of \$2,000 monthly and the terms of the lease require the nonprofit to pay for all of the operating and maintenance costs of the leased property. The overall objective for the SSH real property assets is to construct and operate subsidized multi-family housing units. SSH is currently paying for all pre-development activity, including a rezoning effort, which is in an early stage and not anticipated to cost in excess of \$25,000 through the end of 2020. Sources of cash available to SSH for this pre-development effort are accumulated rents received or member contributions by the Foundation, as necessary. Once rezoning is complete, the Foundation and SSH will explore options to commence the construction phases in 2021 or later, including developing construction budgets, operating budgets, and financing mechanisms.

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

	<u>2019</u>
Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 17,271
Accounts Receivable, Net	<u>4,000</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 21,271</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

Empire Health Community Advocacy Fund

EHCAF was formed late in 2019 and initially funded from settlement proceeds from the Foundation's lawsuit against CHS. Through the date of these financial statements, EHCAF remains in a start-up phase focused on fully developing its governance structure, its strategic advocacy and charitable initiatives and its investment policy to complement eventual operations. This phase is anticipated to persist throughout most of the 2020 calendar year and costs associated with this effort are anticipated to be modest. During the course of this start-up phase, EHCAF will hold its funds in highly liquid cash equivalent accounts.

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

	2019
Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 20,016,825
Financial Assets Available to Meet	
General Expenditures Within One Year	\$ 20,016,825

Family Impact Network

FIN strives to maintain available cash to meet 60 days of normal operating expenses, which were in 2019, on average, \$325,000 for 60 days. FIN's primary source of cash is its contracts with DCYF. From time to time, FIN's cash balances include funds that are obligated to FIN's contractual providers, which balances are not available in support of FIN's normal operating expenses. In order to manage liquidity risks, FIN works to ensure that it invoices DCYF in a timely manner so that it will receive reimbursement as soon as possible. Management prepares cash projections for multiple future scenarios and reviews them with the finance committee. Budget-to-actual financial statements are presented at finance committee meetings so that the committee is aware of any unfavorable, or potentially unfavorable, variances.

In December of 2018, FIN estimated that the timing of payments due from DCYF compared to the timing of payments due to FIN's providers might cause cash to fall below targeted levels. Consequently, it entered into and executed on December 19, 2018, an unsecured zero-interest note with Empire Health Foundation for \$500,000. This note was repaid in full and in accordance with its terms in January 2019.

FIN currently has a \$500,000 unsecured line of credit with Banner Bank. During 2019, the agreement included a requirement that FIN's debt / net worth ratio not exceed 2.50 to 1.00, measured quarterly. During 2019, FIN was not in compliance with this requirement and did not access the line of credit. In December of 2019, FIN received a letter from Banner Bank waiving the default. In February of 2020, Banner Bank replaced the debt / net worth ratio requirement with a liquidity covenant. Under the new terms, FIN must maintain unrestricted cash balances of \$625,000, to be measured annually on December 31st.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 LIQUIDITY (CONTINUED)

Family Impact Network (Continued)

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

	<u>2019</u>	<u>2018</u>
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 1,512,945	\$ 841,452
Accounts Receivable, Net	1,342,740	1,110,570
Total Financial Assets	<u>2,855,685</u>	<u>1,952,022</u>
Less: Amounts Not Available to Be Used		
Within One Year:		
Amounts Restricted for Provider Payments	(1,114,547)	(860,176)
Amounts Held for Other, Excluding Inventory	(265,336)	(500,000)
Net Assets with Donor Restrictions	<u>(25,000)</u>	<u>-</u>
Financial Assets Unavailable for Use		
Within One Year	<u>(1,404,883)</u>	<u>(1,360,176)</u>
Financial Assets Available to Meet		
General Expenditures Within One Year	<u>\$ 1,450,802</u>	<u>\$ 591,846</u>

NOTE 3 INVESTMENTS

Investments consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Short-Term Money Market Investments	\$ 2,234,660	\$ 2,120,397
Equity Securities	12,713,413	12,985,858
Mutual Funds	39,626,749	35,995,751
U.S. Government Fixed Income Instruments	15,258,237	10,474,977
Fixed Income	4,443,068	5,263,488
Alternative Investments	<u>2,657,358</u>	<u>1,545,419</u>
Total	76,933,485	68,385,890
For Specific Purposes:		
For Benefit of Andy Hill Cancer Research Endowment:		
Short-Term Money Market Investments	10,510,880	10,556,327
For Benefit of Premera Rural Capital Facilities Fund:		
Short-Term Money Market Investments	4,693,632	-
For Net Assets with Donor Restrictions:		
Mutual Funds	138,775	126,898
Charitable Gift Annuity and Split-Interest Trusts:		
Short-Term Money Market Investments	850	1,442
Equity Securities	18,432	15,135
Mutual Funds	48,253	42,730
U.S. Government Obligations	16,240	11,362
Other Fixed Income Instruments	5,038	5,947
Workers' Compensation Self-Insurance Funds:		
Short-Term Money Market Investments	<u>633,535</u>	<u>634,071</u>
Total	<u>16,065,635</u>	<u>11,393,912</u>
Total Investments	<u>\$ 92,999,120</u>	<u>\$ 79,779,802</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018:

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.

In June of 2017, the Foundation filed a lawsuit against CHS in the United States District Court for the Eastern District of Washington to enforce certain terms and conditions contained in the 2008 agreement governing the sale of EHS to CHS. In connection with this suit, on September 26, 2019, the parties executed an Agreement to Settle Claims. The financial terms of the settlement reimbursed \$2 million of expended legal fees to the Foundation, the receipt of which is recorded in other income within the 2019 consolidated financial statements. Through December 31, 2019, the Foundation recorded, within other trailing business litigation, approximately \$2.5 million of legal fees and related costs in connection with this suit.

In addition, the settlement also resulted in a payment of \$20 million which was paid to EHCAF. This amount is also recorded in other income within the 2019 consolidated financial statements.

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

The workers' compensation liabilities that existed at EHS as of the last day of operations on September 30, 2008, are the Foundation's responsibility. The Foundation is 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 be self-insured. At December 31, 2019 and 2018, the balances of \$633,535 and \$634,071, respectively, were considered by the Department to be adequate. The Department advised the Foundation that \$625,000 is the minimum allowable surety requirement until such time as the Foundation experiences 10 consecutive years without claims experience.

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 was \$82,000 and \$58,000 at December 31, 2019 and 2018, 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 2019 or through September 25, 2020.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 recorded 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 carrying amount reported in the consolidated statements of financial position for the year ended December 31, 2018 for estimated cost report settlements approximates its fair value. In 2019, management evaluated the potential for future cost report settlement obligations and determined, based on the nature and age of its previously recorded obligations and the lack of any recent collection activity by the U.S. Centers for Medicare & Medicaid Services (CMS), that the likelihood of future CMS collection activity is remote. Consequently, for the year ended December 31, 2019, the Foundation eliminated its previously accrued estimated liability of \$3,118,000 and recorded a corresponding benefit in the statement of activities.

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 Foundation recorded, within other income, recovery revenue for previously settled cost reports of \$-0- and \$1,135,062 for the years ended December 31, 2019 and 2018, respectively. The recovery specialist is compensated at various percentages of the amounts recovered, depending on the complexity of the issue.

The Foundation incurred, within other EHS trailing administration expenses, \$-0- and \$163,669 of recovery fees on the revenue it recognized for the years ended December 31, 2019 and 2018, respectively. Ongoing recovery efforts in 2019 resulted in no income recognized or associated costs incurred.

Funding Commitments

In November 2013, the Foundation formed Spokane Teaching Health Center (STHC), a Washington State nonprofit corporation. STHC was formed to facilitate a collaboration between the Foundation, Providence Health & Services (PH&S), and Washington State University (WSU) to expand Graduate Medical Education (GME) in Spokane. In connection with the expansion, STHC has been awarded federal grant funds through the Health Resource and Services Administration (HRSA) to support additional family and internal medicine residents. Commitments to 18 GME residents have been formally extended for academic years commencing with 2017/2018 and ending in 2022/2023. 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 financial statements.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 4 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Funding Commitments (Continued)

Three of the four parties to the collaboration, including the Foundation and STHC, have executed an Affiliation Agreement for Graduate Medical Education Consortium (Affiliation Agreement). The Affiliation Agreement succeeded earlier agreements and became effective January 1, 2019, and the initial term of the contract expires on June 30, 2026. The Affiliation Agreement then automatically renews for an additional five-year term ending on June 30, 2031 unless it is terminated sooner in accordance with the contract. If for any reason over the term of the Affiliation Agreement, STHC lacks the financial resources to meet its obligation to provide training for residents and pay operating expenses, the parties will, in good faith, work collaboratively to identify and secure other sources of funds as necessary for STHC to fulfill its commitments. This collaborative effort shall include STHC seeking grants from the Foundation, and the STHC Board taking proactive steps to secure other sources of financial support as necessary to sustain the residency programs. With regard to any such grants, the Foundation committed to using its best efforts to make available up to \$2,000,000 to STHC over the term of the Affiliation Agreement, if necessary, subject to the approval of Foundation's executive leadership and governing board. As of the date of these 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 scheduled to be placed in service in October 2020 located in Spokane, Washington. The estimated cost of the project is approximately \$10.7 million, and construction began in September of 2019. As a condition of its sponsorship of the project, the Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC. See Note 9.

In addition, the Foundation, as sponsor/developer for the project, has financially guaranteed the completion of the construction, as well as providing a financial guaranty of any operating deficits once tenancy commences. Through the date of these financial statements, the construction is proceeding on schedule and according to budget. Consequently, the Foundation has not had to provide any funding pursuant to its guarantees.

NOTE 5 NETS ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Net Assets With Restrictions to be Released Over Time:		
Scholarships and Education	\$ 277,155	\$ 254,396
Population Health Initiatives	1,856,559	3,768,957
Research	64,301	64,301
	<u>2,198,015</u>	<u>4,087,654</u>
Net Assets With Donor Restrictions:		
Education	283,165	256,032
Total	<u>\$ 2,481,180</u>	<u>\$ 4,343,686</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 5 NETS ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

\$283,165 and \$256,032 of the amount restricted for education at December 31, 2019 and 2018, 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 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at December 31, 2019 and 2018.

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

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.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

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. 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:

	2019			Total
	Level 1	Level 2	Level 3	
Short-Term Money Market	\$ 18,073,557	\$ -	\$ -	\$ 18,073,557
Government and Agency Obligations:				
U.S. Treasury Obligations	-	15,274,477	-	15,274,477
Corporation Obligations	-	3,814,709	-	3,814,709
International Obligations	-	633,397	-	633,397
Mutual Funds:				
Blend	32,451,032	-	-	32,451,032
Value	7,362,745	-	-	7,362,745
Common Stock:				
U.S. Large Cap	10,678,971	-	-	10,678,971
International Large Cap	656,854	-	-	656,854
U.S. Medium and Small Cap	1,145,043	-	-	1,145,043
International Medium and Small Cap	250,977	-	100,000	350,977
Beneficial Interest in Trusts	-	-	283,165	283,165
Total Investments at Fair Value	<u>70,619,179</u>	<u>19,722,583</u>	<u>383,165</u>	90,724,927
Investments Measured at NAV:				
Private Equity				2,299,480
Real Assets				257,878
Total Investments Measured at NAV				<u>2,557,358</u>
Total Investments				<u>\$ 93,282,285</u>

EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

	2018			Total
	Level 1	Level 2	Level 3	
Short-Term Money Market	\$ 13,312,237	\$ -	\$ -	\$ 13,312,237
Government and Agency Obligations:				
U.S. Treasury Obligations	-	10,486,339	-	10,486,339
Corporation Obligations	-	4,771,161	-	4,771,161
International Obligations	-	498,274	-	498,274
Mutual Funds:				
Blend	28,603,802	-	-	28,603,802
Value	7,561,577	-	-	7,561,577
Common Stock:				
U.S. Large Cap	10,356,007	-	-	10,356,007
International Large Cap	652,776	-	-	652,776
U.S. Medium and Small Cap	1,748,747	-	-	1,748,747
International Medium and Small Cap	243,463	-	-	243,463
Beneficial Interest in Trusts	-	-	256,032	256,032
Total Investments at Fair Value	<u>62,478,609</u>	<u>15,755,774</u>	<u>256,032</u>	78,490,415
Investments Measured at NAV:				
Private Equity				1,274,303
Real Assets				271,116
Total Investments Measured at NAV				<u>1,545,419</u>
Total Investments				<u>\$ 80,035,834</u>

The following sets forth a summary of changes in the fair value of beneficial interest in perpetual trusts, Level 3 assets, at December 31:

	Beneficial Interests in Trusts	Investment
<u>Year Ended December 31, 2019</u>		
Balance – Beginning of Year	\$ 256,032	\$ -
Acquisitions – Simple Agreement for Future Equity	-	100,000
Ordinary Income	1,779	-
Net Realized Capital Gains	4,688	-
Net Unrealized Capital Gains	40,921	-
Distributions for Charitable Purposes	(20,255)	-
Balance – End of Year	<u>\$ 283,165</u>	<u>\$ 100,000</u>
<u>Year Ended December 31, 2018</u>		
Balance – Beginning of Year	\$ 298,906	
Acquisitions – Simple Agreement for Future Equity	-	
Ordinary Income	2,509	
Net Realized Capital Gains	12,369	
Net Unrealized Capital Gains	(37,730)	
Distributions for Charitable Purposes	(20,022)	
Balance – End of Year	<u>\$ 256,032</u>	

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

No financial assets were transferred between Levels 1 and 2 during the years ended December 31, 2019 and 2018. No impairment losses were recorded on Level 3 assets in 2019 or 2018.

The Foundation had the following investments in and commitments to alternative investment funds at December 31, 2019:

	NAV		Unfunded Commitments	Redemption Schedule	Redemption Notice Period
	2019	2018			
Private Equity	\$ 2,299,480	\$ 1,274,303	\$ 1,725,670	Quarterly	95 days
Real Assets	257,878	271,116	156,276	Quarterly	95 days
Total	<u>\$ 2,557,358</u>	<u>\$ 1,545,419</u>	<u>\$ 1,881,946</u>		

No impairment losses were recorded on alternative investments in 2019 or 2018.

NOTE 7 CHARITABLE REMAINDER TRUSTS

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

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

Assets held in connection with the charitable remainder trust totaled \$88,813 and \$76,616, respectively, at December 31, 2019 and 2018, and are reported at fair market value as part of investments in the Foundation's consolidated statements of financial position. See Note 3. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The amount of the charitable remainder trust liability was \$43,227 and 45,915 at each of December 31, 2019 and 2018, respectively.

NOTE 8 LAND, BUILDING, AND EQUIPMENT

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

	2019	2018
Land	\$ 319,712	\$ 108,900
Land Development	115,052	-
Buildings and Improvements	3,526,789	3,446,229
Furniture and Fixtures	628,494	661,391
Total	<u>4,590,047</u>	<u>4,216,520</u>
Less: Accumulated Depreciation	<u>(1,295,330)</u>	<u>(1,126,409)</u>
Balance – End of Year	<u>\$ 3,294,717</u>	<u>\$ 3,090,111</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 LAND, BUILDING, AND EQUIPMENT (CONTINUED)

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

NOTE 9 NOTES AND LOANS RECEIVABLE

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

	2019	2018
Catholic Housing Services E WA, 3.6%, Maturing 2020	\$ 1,000,000	\$ 1,000,000
J AULD APTS LLC, 2.0%, Maturing 2049, Subordinated	530,000	-
Total	\$ 1,530,000	\$ 1,000,000

In May of 2016, the Foundation and Catholic Charities Spokane executed a Memorandum of Understanding (MOU) outlining a collaborative effort to design and launch a family centered treatment program in Spokane to be connected eventually to a tiered approach to permanent affordable housing. The MOU sets forth an understanding of the design elements necessary and establishes the roles and responsibilities of each party.

Related to the MOU, the Foundation’s board approved the making of a loan to Catholic Housing Services of Eastern Washington (an affiliate of Catholic Charities Spokane) to assist with the acquisition of certain real property in Spokane to be used to establish the permanent affordable housing and other connected programs. On September 27, 2016, the Foundation made a three-year mortgage loan in the amount of \$1.6 million, with the full principal balance due at maturity in December 2019. The original loan amount was secured by various parcels of real property with a combined appraised value of \$4.2 million. In September of 2017, the borrower exercised its option to prepay \$600,000 of the mortgage note and the Foundation released one real property collateral parcel having a 2016 appraised value of \$656,000. The remaining loan principal and all related accrued interest was collected in full in January 2020.

Pursuant to its sponsorship and development of an affordable housing project, the Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC in 2019. The loan matures in 30 years, although it could be repaid earlier in the event of refinancing or other restructuring of the project. Accrued interest on this loan of \$3,601 is included in other assets at December 31, 2019.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 RETIREMENT PLAN

Effective January 1, 2010, the Foundation established a 401(k) retirement plan, which covers substantially all employees. Participating employees receive an annual matching contribution of 100% of employee deferrals up to 6% of the employee's compensation. Expenses relating to the Foundation's plan, including employer contributions, for the years ended December 31, 2019 and 2018, were \$133,943 and \$141,454, respectively. Effective January 1, 2015, FIN established its own 401(k) retirement plan with terms substantially the same as that of the Foundation. Expenses relating to FIN's plan, including employer contributions, for the years ended December 31, 2019 and 2018 were \$37,569 and \$31,346, respectively. Neither plan is currently subject to independent audit requirements at the present time.

NOTE 11 LEASES

Beginning January 1, 2016, the Foundation and FIN each entered into separate, annually renewable one-year operating leases for office space with PC LLC, each now extending through December 31, 2019. It is anticipated that each entity will renew its lease annually, although it is possible that either may find it necessary to relocate in the future depending on business requirements.

The terms under which leases may renew beyond 2020 have not been established. Rent expense paid to PC LLC in 2019 was \$116,367 and \$27,515 by the Foundation and FIN, respectively. Rent expense paid to PC LLC in 2018 was \$95,644 and \$22,440 by the Foundation and FIN, respectively.

The Foundation's 2020 lease with PC LLC requires monthly fixed base lease payments of \$10,330. The Foundation is also contingently obligated for a variable rent amount equal to the amount of PC LLC's building operating expenses in excess of the aggregate monthly fixed lease payments of the Foundation, FIN and other tenants, if any. FIN's 2020 lease with PC LLC requires monthly fixed lease payments of \$2,595. Future minimum lease payments under the leases with PC LLC are:

<u>Year Ending December 31, 2020</u>	<u>Amount</u>
Empire Health Foundation	\$ 123,965
Family Impact Network	31,140
Total	<u>\$ 155,105</u>

During 2017, the Foundation entered into operating leases for an automobile, copiers, and technological equipment. The terms of the leases range from 24 months to 60 months. The Foundation paid \$21,429 and \$19,746 for these leases in 2019 and 2018, respectively.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 11 LEASES (CONTINUED)

Future minimum lease payments under these leases are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 10,152
2021	7,812
2022	5,208
Total	<u>\$ 23,172</u>

In connection with its concrete goods inventory, FIN leases space at two storage locations on a month-to-month basis at a combined monthly cost of \$2,090. Rent expense paid in connection with these leases was \$25,080 for the years ended December 31, 2019 and 2018, respectively.

In March of 2020, FIN entered into a lease agreement with an unrelated party to lease office space for additional staff. This office space is located at the Empire State Building on Riverside Avenue in Spokane, Washington. Future minimum lease payments pursuant to this lease are:

<u>Year Ending December 31:</u>	<u>Amount</u>
2020	\$ 20,888
2021	36,348
2022	37,532
2023	15,830
Total Future Lease Commitments	<u>\$ 110,598</u>

NOTE 12 RELATED PARTY TRANSACTIONS

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

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 12 RELATED PARTY TRANSACTIONS (CONTINUED)

In 2019 and 2018, the following related party transactions occurred:

The Foundation paid base rent to PC LLC of \$116,367 and \$95,644 for the years ended December 31, 2019 and 2018, respectively.

The Foundation made a member contribution to PC, LLC of \$4,500 and \$27,000 during the years ended December 31, 2019 and 2018, respectively. FIN paid rent to PC LLC of \$27,515 and \$22,440 for each of the years ended December 31, 2019 and 2018, respectively. BHT terminated its lease agreement with PC LLC effective May 2019 BHT paid rent to PC LLC of \$29,750 for the year ended 2018.

The Foundation made grants to BHT of \$2,500 in the year ended December 31, 2019. BHT paid the Foundation \$326,299 and \$413,222 pursuant to employee lease and administrative services agreements for the years ended December 31, 2019 and 2018, respectively. BHT terminated its employee lease and administrative services agreements with the Foundation, other than for government relations, effective January 1, 2020. The Foundation also reimbursed expenses to BHT of \$1,500 and \$2,096 in the years ended December 31, 2019 and 2018, respectively.

The Foundation made grants to FIN of \$91,500 in the year ended December 31, 2019. Additionally, PIA made grants to FIN of \$15,000 in the year ended December 31, 2019. FIN paid the Foundation \$449,841 and \$468,928 pursuant to employee lease and administrative services agreements for the years ended December 31, 2019 and 2018, respectively. The Foundation reimbursed expenses to FIN of \$27,253 and \$1,995 in the years ended December 31, 2019 and 2018, respectively. A \$500,000 loan made by the Foundation in 2018 to FIN was repaid in full and in accordance with its terms in January 2019.

The Foundation made grants to PIA of \$357,804 and \$180,000 in the years ended December 31, 2019 and 2018, respectively. These grants were principally restricted for use in support of the Foundation's strategic program efforts in the year following the grants. PIA reimbursed expenses to the Foundation of \$9,107 in the year ended December 31, 2019.

The Foundation paid SSH \$430,243 for member contributions in the year ended December 31, 2019.

EHCAF reimbursed expenses to the Foundation of \$175 for the year ended December 31, 2019.

STHC paid the Foundation \$213,015 pursuant to employee lease and administrative services agreements for the year ended December 31, 2018.

The Foundation made a subordinated mortgage loan of \$530,000 to J AULD APTS LLC and earned \$3,601 of related interest income during the year ended December 31, 2019. In addition, the Foundation earned \$36,074 in developer fees from the J AULD APTS project.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 13 PLEDGES RECEIVABLE

In 2017, the Foundation was the recipient of a \$3.5 million purpose-restricted unconditional contribution receivable over three years in support of the Foundation's Aging Services Program. In 2018, the Foundation was the recipient of a second \$2.0 million purpose-restricted unconditional contribution over three years in support of the Foundation's Family Preservation Program. Each of these two grants was from the same donor.

The Foundation has assessed these commitments as fully collectible as due per the terms of the underlying grant agreements. Of the total proceeds of these grants, \$1.5 million was paid to the Foundation in 2017, \$2.2 million was paid to the Foundation in 2018, and \$800,000 was paid to the Foundation in 2019. In 2020, the parties mutually agreed to adjust the due date of one \$600,000 installment for the Family Preservation component from 2019 to 2020. The remaining uncollected amounts are recorded at fair market value as follows for the years ended December 31:

	2019	2018
Due in 2019	\$ -	\$ 1,400,000
Due in 2020	1,000,000	400,000
Face Value	1,000,000	1,800,000
Unamortized Discount at Effective Interest Rate	-	(20,161)
Fair Market Value	<u>\$ 1,000,000</u>	<u>\$ 1,779,839</u>

NOTE 14 GRANTS PAYABLE

In 2017, the Foundation entered into a five-year support commitment for Catholic Charities Spokane's Rising Strong Regional Partnership: Family Centered Treatment with Housing Program (Rising Strong). The commitment was conditioned upon Catholic Charities receiving a grant from the federal Department of Health & Human Services, which was awarded in 2017. The Foundation's maximum total commitment was for \$535,000, payable in equal annual installments of \$107,000, of which the installments due in each of the years 2017 through 2020 have been paid.

The Foundation made unconditional grant commitments in support of its Rural Aging Program in 2018. The two commitments total \$211,000 at December 31, 2018, and were paid in 2019. In 2019, the Foundation made an unconditional grant commitment in support of its Workforce Development Program in the amount \$250,000, which was paid in 2020.

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

	2019	2018
Due in 2019	\$ -	\$ 318,000
Due in 2020	357,000	107,000
Due in 2021	107,000	107,000
Face Value	464,000	532,000
Unamortized Discount at Effective Interest Rate	(5,252)	(10,447)
Fair Market Value	<u>\$ 458,748</u>	<u>\$ 521,553</u>

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS

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

	Deferred Revenue		Funds Held for Others	
	2019	2018	2019	2018
Family Impact Network	\$ 310,303	\$ -	\$ 295,167	\$ 6,590
Philanthropy In Action	28,257	-	15,521,068	10,556,327
Total	<u>\$ 338,560</u>	<u>\$ -</u>	<u>\$ 15,816,235</u>	<u>\$ 10,562,917</u>

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

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

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

	Funds Held For Others	Deferred Revenue
Balance December 31, 2017	\$ 552,384	\$ 118,968
Concrete Goods Contract Funds Received	44,220	40,780
Less Revenue Earned or Funds Relieved	<u>(590,014)</u>	<u>(159,748)</u>
Balance December 31, 2018	6,590	-
Concrete Goods Contract Funds Received	838,844	593,417
Less Revenue Earned or Funds Relieved	<u>(550,267)</u>	<u>(283,114)</u>
Balance December 31, 2019	<u>\$ 295,167</u>	<u>\$ 310,303</u>

In 2017, the Foundation entered into a contract with the Washington State Department of Commerce to be the Program Administrator for the Andy Hill Cancer Research Endowment fund (AHCRES or the Fund). AHCRES is a legislatively created and funded effort on the part of the state of Washington to achieve sustainable investment in cancer research, prevention, and care. The fund itself, including the selection and awarding of grants, is overseen by a Governor-appointed board which is separate and apart from the board of the Foundation.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 15 DEFERRED REVENUE AND FUNDS HELD FOR OTHERS (CONTINUED)

As the Program Administrator, the Foundation assists the AHCRE board by providing financial and accounting management for the fund and its investments; facilitating the process of grant application, external peer review, selection, notification and performance monitoring; and distributing grant funds pursuant to and ensuring compliance with grant agreements. Pursuant to this contract, the Foundation recorded revenue, within Program Revenue, of \$550,000 and \$490,447 for the years ended December 31, 2019 and 2018, respectively. Due to a technical statutory issue, payment of \$300,000 of the revenue recorded in 2019 was delayed until June 2020. In connection with this contract, the Foundation incurred expenses of \$413,388 and \$502,444 for the years ended December 31, 2019 and 2018, respectively. The contract is a one-year performance-based state contract considered for renewal or reapplication in conjunction with the state's fiscal year running from July 1 through June 30. The contract has been most recently renewed to extend through June 30, 2021, at an annual contract value of \$1,750,000 for the Program Administrator fee.

In its capacity as Program Administrator, the Foundation designated PIA as the entity that holds and invests AHCRE funds as an authorized local account for the purpose of grantmaking. Pursuant to the contract, these funds are not considered to be funds belonging to PIA over which PIA or the Foundation has discretion. Consequently, these funds are reported in the consolidated statements of financial position as a liability for Funds Held for Others. AHCRE grantmaking funds were first received by PIA in 2018.

Following is a summary of the activity of these funds for the years ended December 31, 2019 and 2018:

	Funds Held For Others
State Funds Received	\$ 12,776,914
Investment Income, Net of Expenses	79,413
Grants Disbursed on Behalf of the Fund	<u>(2,300,000)</u>
Balance December 31, 2018	10,556,327
Investment Income, Net of Expenses	185,478
Grants Disbursed on Behalf of the Fund	<u>(230,925)</u>
Balance December 31, 2019	<u><u>\$ 10,510,880</u></u>

In June 2019, PIA entered into an agreement with Premera Blue Cross to administer a \$5 million grant fund over four years. The purpose of the grant fund is to make awards funding short-term capital projects to hospitals, community health centers, tribal clinics and hospitals and outpatient clinics, each in rural areas within Washington State. Pursuant to the agreement, PIA can be reimbursed for up to \$353,250 of direct costs and \$238,000 of indirect costs over the four-year term of the agreement, with the remainder of the proceeds purposed for re-granting. In August 2019, PIA received all \$5 million in a single payment from Premera Blue Cross, which was recorded as a liability for Funds Held for Others. In addition, PIA received in cash a \$50,000 grant in 2019 containing provisions making the award conditional. Consequently, PIA recorded the receipt of these funds as deferred revenue. During 2019, PIA incurred costs of \$21,743 in connection with this grant and a like amount was recorded as earned and released from the deferred revenue liability.

**EMPIRE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 16 SUBSEQUENT EVENTS

In 2020, the world experienced severe human and economic impacts from the novel coronavirus (COVID19). These impacts included disruption of revenue sources, supply chains, employment and capital markets, as well as altered lifestyles for most world populations. Through the date of this financial report, the consolidated organizations presented herein have experienced no material negative financial impacts stemming from COVID19. Operational impacts to date have principally been limited to the adoption of work-at-home protocols for staff of all consolidated organizations. A return to the office is targeted for no earlier than two weeks after the county in which the consolidated entities operate are cleared to enter Phase III and will be subject to the guidelines issued by federal, state and local health authorities. The Foundation did experience net unrealized losses in its investment portfolio that approached 13%, but markets have since stabilized and recovered such that the Foundation's portfolio is now at a positive return for the 2020 year. To date, none of the consolidated entities have experienced a need for staffing layoffs or furloughs. Pursuant to the 2020 CARES Act, the Foundation applied for and received a Payroll Protection Program (PPP) loan of approximately \$559,000. After evaluating subsequent emerging guidance for this lending program, the Foundation repaid \$375,000, leaving approximately \$184,000 outstanding.

FIN also applied for and received a PPP loan of approximately \$217,000, none of which has been repaid to date. The Foundation and FIN believe that the remaining amounts outstanding will eventually qualify for forgiveness of both interest and principal. Should the loans not qualify in full or in part, the loans bear interest at 1.0% and are scheduled to commence repayment in December 2020. The Foundation, pursuant to its mission, did contribute \$220,000 to a local COVID19 emergency relief fund, of which \$100,000 was from its own resources and \$120,000 approved through resources provided by external funding partners. In addition, to date the Foundation has incurred approximately \$22,000 in costs attributable to COVID19, principally for assisting staff with setting up in-home office spaces.

As a result of the COVID19 disruptions, the State of Washington has projected significant revenue shortfalls for the next three fiscal years and the Governor directed State agencies to propose budget reductions of 15%. These State budget cuts, if implemented, could impact the revenues available under FIN's contract with DCYF, both for the portion of funding available to FIN in its Network Administrator role, as well as to funding available to external providers in the network. At the date of this report, it is uncertain exactly what cuts the State's agencies may make or whether such cuts will require material changes in FIN's DCYF contract and, hence, to FIN's operations. Other than FIN, revenue sources otherwise available to the consolidated entities have not been, nor are expected to be, disrupted.

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Empire Health Foundation	Philanthropy Center, LLC	Philanthropy In Action	Sunset Health, LLC	Empire Health Community Advocacy Fund	Family Impact Network	Eliminations	Consolidated Totals
ASSETS								
Cash and Cash Equivalents	\$ 1,524,504	\$ 26,040	\$ 718,003	\$ 17,271	\$ 20,016,825	\$ 1,512,945	\$ -	\$ 23,815,588
Accounts Receivable, Net	404,800	-	-	4,000	-	1,342,740	(41,758)	1,709,782
Pledges Receivable, Net	1,000,000	-	-	-	-	-	-	1,000,000
Investments	77,794,608	-	15,204,512	-	-	-	-	92,999,120
Notes and Loans Receivable	1,530,000	-	-	-	-	-	-	1,530,000
Beneficial Interest in Trusts	283,165	-	-	-	-	-	-	283,165
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	69,064	2,812,003	-	403,067	-	10,583	-	3,294,717
Prepaid Expense	660,007	-	1,037	1,944	-	60,852	-	723,840
Other Assets	4,252,887	-	3,586	-	-	29,831	(4,061,743)	224,561
Total Assets	\$ 87,519,035	\$ 2,838,043	\$ 15,927,138	\$ 426,282	\$ 20,016,825	\$ 2,956,951	\$ (4,103,501)	\$ 125,580,773
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable	\$ 182,641	\$ 14,080	\$ 15,342	\$ 1,600	\$ 343	\$ 1,158,564	\$ (41,758)	\$ 1,330,812
Annuities Payable	43,227	-	-	-	-	-	-	43,227
Accrued Salaries, Wages, and Employee Benefits	127,951	-	-	-	-	36,654	-	164,605
Grants and Pledges Payable	458,748	-	-	-	-	-	-	458,748
Deferred Revenue	-	-	28,257	-	-	310,303	-	338,560
Funds Held for Others	-	-	15,521,068	-	-	295,167	-	15,816,235
Liabilities Assumed from Empire Health Services: Workers' Compensation Self-Insurance Liability	82,000	-	-	-	-	-	-	82,000
Total Liabilities	894,567	14,080	15,564,667	1,600	343	1,800,688	(41,758)	18,234,187
NET ASSETS								
Without Donor Restrictions	84,169,613	(807,537)	(604)	(5,561)	20,016,482	1,131,263	361,750	104,865,406
With Donor Restrictions	2,454,855	-	363,075	-	-	25,000	(361,750)	2,481,180
Member Capital	-	3,631,500	-	430,243	-	-	(4,061,743)	-
Total Net Assets	86,624,468	2,823,963	362,471	424,682	20,016,482	1,156,263	(4,061,743)	107,346,586
Total Liabilities and Net Assets	\$ 87,519,035	\$ 2,838,043	\$ 15,927,138	\$ 426,282	\$ 20,016,825	\$ 2,956,951	\$ (4,103,501)	\$ 125,580,773

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Empire Health Foundation	Philanthropy Center, LLC	Philanthropy In Action	Family Impact Network	Eliminations	Consolidated Totals
Cash and Cash Equivalents	\$ 2,737,282	\$ 36,502	\$ 156,951	\$ 841,452	\$ -	\$ 3,772,187
Accounts Receivable, Net	688,491	520	-	1,110,570	(51,182)	1,748,399
Pledges Receivable, Net	1,779,839					1,779,839
Investments	69,223,475	-	10,556,327	-	-	79,779,802
Notes and Loans Receivable	1,500,000	-	-	-	(500,000)	1,000,000
Beneficial Interest in Trusts	256,032	-	-	-	-	256,032
Land, Building, and Equipment at Cost, Less Accumulated Depreciation	103,335	2,971,814	-	14,961	-	3,090,110
Prepaid Expense	787,464	-	1,037	59,590	-	848,091
Other Assets	3,796,061	-	-	59,670	(3,627,000)	228,731
Total Assets	<u>\$ 80,871,979</u>	<u>\$ 3,008,836</u>	<u>\$ 10,714,315</u>	<u>\$ 2,086,243</u>	<u>\$ (4,178,182)</u>	<u>\$ 92,503,191</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable	\$ 692,665	\$ 29,736	\$ 6,923	\$ 980,596	\$ (51,182)	\$ 1,658,738
Annuities Payable	45,915	-	-	-	-	45,915
Accrued Salaries, Wages, and Employee Benefits	203,671	-	-	25,909	-	229,580
Grants and Pledges Payable	521,553					521,553
Line of Credit	-	-	-	500,000	(500,000)	-
Funds Held for Others	-	-	10,556,327	6,590	-	10,562,917
Liabilities Assumed from Empire Health Services: Amounts Due Under Cost Reimbursement Programs	3,118,106	-	-	-	-	3,118,106
Workers' Compensation Self-Insurance Liability	58,000	-	-	-	-	58,000
Total Liabilities	<u>4,639,910</u>	<u>29,736</u>	<u>10,563,250</u>	<u>1,513,095</u>	<u>(551,182)</u>	<u>16,194,809</u>
NET ASSETS						
Without Donor Restrictions	71,888,383	(647,900)	10,988	573,148	140,077	71,964,696
With Donor Restrictions	4,343,686	-	140,077	-	(140,077)	4,343,686
Member Capital	-	3,627,000	-	-	(3,627,000)	-
Total Net Assets	<u>76,232,069</u>	<u>2,979,100</u>	<u>151,065</u>	<u>573,148</u>	<u>(3,627,000)</u>	<u>76,308,382</u>
Total Liabilities and Net Assets	<u>\$ 80,871,979</u>	<u>\$ 3,008,836</u>	<u>\$ 10,714,315</u>	<u>\$ 2,086,243</u>	<u>\$ (4,178,182)</u>	<u>\$ 92,503,191</u>

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Empire Health Foundation			Philanthropy Center, LLC	Philanthropy In Action		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT							
Contributions	\$ 2,000	\$ 33,498	\$ 35,498	\$ -	\$ 21,743	\$ 360,804	\$ 382,547
Program Revenue	550,000	-	550,000	-	-	-	-
Investment Income, Net of Expenses	860,131	35,331	895,462	-	-	-	-
Net Realized Gain from Investments	4,056,164	9,366	4,065,530	-	-	-	-
Net Unrealized Gain (Loss) from							
Investments	8,664,093	41,232	8,705,325	-	-	-	-
Other Income	3,040,004	-	3,040,004	160,095	-	-	-
Distributions	-	(20,255)	(20,255)	-	-	-	-
Net Assets Released from Restrictions	1,988,003	(1,988,003)	-	-	137,806	(137,806)	-
Total Revenue and Support	19,160,395	(1,888,831)	17,271,564	160,095	159,549	222,998	382,547
EXPENSES							
Grants Expenses	2,919,663	-	2,919,663	-	30,000	-	30,000
Provider Services	-	-	-	-	-	-	-
Concrete Goods Deliveries	-	-	-	-	-	-	-
Salaries, Payroll Taxes, and Benefits	3,195,527	-	3,195,527	-	-	-	-
Professional Services	1,425,366	-	1,425,366	125	127,973	-	127,973
Rent and Office Expenses	324,067	-	324,067	159,071	136	-	136
Other General and Administrative Expenses	637,243	-	637,243	718	12,587	-	12,587
Depreciation of Fixed Assets	34,271	-	34,271	159,811	-	-	-
Excise and Property Taxes	123,965	-	123,965	7	445	-	445
Trailing: Other Business Litigation	1,236,552	-	1,236,552	-	-	-	-
Trailing: Other EHS Trailing Administration Expenses	(3,017,489)	-	(3,017,489)	-	-	-	-
Total Expenses	6,879,165	-	6,879,165	319,732	171,141	-	171,141
Member Contributions	-	-	-	4,500	-	-	-
CHANGES IN NET ASSETS	12,281,230	(1,888,831)	10,392,399	(155,137)	(11,592)	222,998	211,406
Net Assets – Beginning of Year	71,888,383	4,343,686	76,232,069	2,979,100	10,988	140,077	151,065
NET ASSETS – END OF YEAR	\$ 84,169,613	\$ 2,454,855	\$ 86,624,468	\$ 2,823,963	\$ (604)	\$ 363,075	\$ 362,471

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

Sunset Health, LLC	Empire Health Community Advocacy Fund	Family Impact Network			Eliminations	Consolidated Totals
		Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
\$ -	\$ -	\$ 700,900	\$ 25,000	\$ 725,900	\$ (464,304)	\$ 679,641
-	-	12,815,963	-	12,815,963	-	13,365,963
-	17,651	-	-	-	-	913,113
-	-	-	-	-	-	4,065,530
-	-	-	-	-	-	-
-	-	-	-	-	-	8,705,325
4,000	20,000,000	37,500	-	37,500	(567,813)	22,673,786
-	-	-	-	-	-	(20,255)
-	-	-	-	-	-	-
<u>4,000</u>	<u>20,017,651</u>	<u>13,554,363</u>	<u>25,000</u>	<u>13,579,363</u>	<u>(1,032,117)</u>	<u>50,383,103</u>
-	-	-	-	-	(464,304)	2,485,359
-	-	11,020,251	-	11,020,251	-	11,020,251
-	-	23,859	-	23,859	-	23,859
-	-	1,522,169	-	1,522,169	(391,544)	4,326,152
4,149	997	114,877	-	114,877	(13,196)	1,660,291
132	164	139,769	-	139,769	(163,073)	460,266
-	-	-	-	-	-	-
690	8	170,756	-	170,756	-	822,002
3,357	-	4,379	-	4,379	-	201,818
1,233	-	188	-	188	-	125,838
-	-	-	-	-	-	1,236,552
-	-	-	-	-	-	-
-	-	-	-	-	-	(3,017,489)
<u>9,561</u>	<u>1,169</u>	<u>12,996,248</u>	<u>-</u>	<u>12,996,248</u>	<u>(1,032,117)</u>	<u>19,344,899</u>
<u>430,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(434,743)</u>	<u>-</u>
<u>424,682</u>	<u>20,016,482</u>	<u>558,115</u>	<u>25,000</u>	<u>583,115</u>	<u>(434,743)</u>	<u>31,038,204</u>
<u>-</u>	<u>-</u>	<u>573,148</u>	<u>-</u>	<u>573,148</u>	<u>(3,627,000)</u>	<u>76,308,382</u>
<u>\$ 424,682</u>	<u>\$ 20,016,482</u>	<u>\$ 1,131,263</u>	<u>\$ 25,000</u>	<u>\$ 1,156,263</u>	<u>\$ (4,061,743)</u>	<u>\$ 107,346,586</u>

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	Empire Health Foundation			Philanthropy Center, LLC
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
REVENUE AND SUPPORT				
Contributions	\$ 4,043	\$ 2,006,505	\$ 2,010,548	\$ -
Program Revenue	509,197	-	509,197	-
Investment Income, Net of Expenses	988,502	23,433	1,011,935	-
Net Realized Gain from Investments	2,551,985	29,157	2,581,142	-
Net Unrealized Gain (Loss) from Investments	(7,516,558)	(81,464)	(7,598,022)	-
Other Income	2,230,227	-	2,230,227	155,339
Distributions	-	(20,022)	(20,022)	-
Net Assets Released from Restrictions	1,271,654	(1,271,654)	-	-
Total Revenue and Support	<u>39,050</u>	<u>685,955</u>	<u>725,005</u>	<u>155,339</u>
EXPENSES				
Grants Expenses	2,149,028	-	2,149,028	-
Provider Services	-	-	-	-
Concrete Goods Deliveries	-	-	-	-
Salaries, Payroll Taxes, and Benefits	3,291,796	-	3,291,796	-
Professional Services	757,338	-	757,338	95
Rent and Office Expenses	220,634	-	220,634	195,420
Other General and Administrative Expenses	619,092	-	619,092	499
Depreciation of Fixed Assets	137,533	-	137,533	163,535
Excise and Property Taxes	92,274	-	92,274	7
Trailing: Other Business Litigation	815,843	-	815,843	-
Trailing: Other EHS Trailing Administration Expenses	<u>227,622</u>	<u>-</u>	<u>227,622</u>	<u>-</u>
Total Expenses	<u>8,311,160</u>	<u>-</u>	<u>8,311,160</u>	<u>359,556</u>
Member Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,000</u>
CHANGES IN NET ASSETS	(8,272,110)	685,955	(7,586,155)	(177,217)
Net Assets - Beginning of Year	<u>80,160,493</u>	<u>3,657,731</u>	<u>83,818,224</u>	<u>3,156,317</u>
NET ASSETS - END OF YEAR	<u>\$ 71,888,383</u>	<u>\$ 4,343,686</u>	<u>\$ 76,232,069</u>	<u>\$ 2,979,100</u>

EMPIRE HEALTH FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

Philanthropy In Action			Family Impact Network			Eliminations	Consolidated Totals
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
\$ -	\$ 180,000	\$ 180,000	\$ -	\$ -	\$ -	\$ (180,000)	\$ 2,010,548
-	-	-	10,174,011	-	10,174,011	-	10,683,208
-	-	-	-	-	-	-	1,011,935
-	-	-	-	-	-	-	2,581,142
-	-	-	-	-	-	-	(7,598,022)
-	-	-	2,755	-	2,755	(587,013)	1,801,308
-	-	-	-	-	-	-	(20,022)
404,923	(404,923)	-	-	-	-	-	-
404,923	(224,923)	180,000	10,176,766	-	10,176,766	(767,013)	10,470,097
207,500	-	207,500	-	-	-	(180,000)	2,176,528
-	-	-	8,639,418	-	8,639,418	-	8,639,418
-	-	-	9,068	-	9,068	-	9,068
-	-	-	1,307,202	-	1,307,202	(394,587)	4,204,411
186,762	-	186,762	167,436	-	167,436	(68,763)	1,042,868
-	-	-	117,469	-	117,469	(123,663)	409,860
9,673	-	9,673	158,388	-	158,388	-	787,652
-	-	-	5,011	-	5,011	-	306,079
-	-	-	-	-	-	-	92,281
-	-	-	-	-	-	-	815,843
-	-	-	-	-	-	-	227,622
403,935	-	403,935	10,403,992	-	10,403,992	(767,013)	18,711,630
-	-	-	-	-	-	(27,000)	-
988	(224,923)	(223,935)	(227,226)	-	(227,226)	(27,000)	(8,241,533)
10,000	365,000	375,000	800,374	-	800,374	(3,600,000)	84,549,915
\$ 10,988	\$ 140,077	\$ 151,065	\$ 573,148	\$ -	\$ 573,148	\$ (3,627,000)	\$ 76,308,382

