



COMPASS HEALTH AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4 - 5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 32
Supplementary Information:	
Consolidating Statement of Financial Position	33 - 34
Consolidating Statement of Activities	35 - 36

Independent Auditor's Report

To the Board of Directors
Compass Health
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Compass Health and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including comparative totals, shown on pages 33 to 36 is presented for purposes of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

Clark Nuber P.C.

Certified Public Accountants
February 26, 2021

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)**

	2020	2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 18,784,945	\$ 2,351,637
Deposits held in trust	1,127,757	920,691
Accounts receivable, net of allowance for doubtful accounts of \$226,476 (\$44,952 - 2019)	9,264,390	6,658,992
Grants and contracts receivable, net of allowance for doubtful amounts of \$66,859 (\$88,682 - 2019)	742,090	590,790
Current portion of facility contribution receivable (Note 14)	181,942	193,179
Pledges receivable, net of allowance for doubtful amounts of \$14,400 (\$0 - 2019)	81,303	136,212
Other receivable	3,000,000	
Prepaid expenses and other current assets	851,587	726,922
Total Current Assets	34,034,014	11,578,423
Restricted deposits and funded reserves (Note 3)	701,035	125,418
Facility contribution receivable, less current portion (Note 14)	380,655	
Pledges receivable, less current portion	498,962	
Investments (Note 4)	258,621	251,076
Investments limited as to use (Notes 4 and 13)	878,171	891,629
Beneficial interest in trust	11,681	11,229
Property and equipment, net (Note 5)	28,555,367	24,410,627
Total Assets	\$ 65,318,506	\$ 37,268,402
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,631,553	\$ 1,925,106
Accrued liabilities	6,365,093	4,596,994
Deferred revenue	1,643,751	185,178
Deposits held in trust	1,127,757	920,887
Current portion of capital lease obligations (Note 14)	699,939	736,520
Line of credit (Note 8)	8,299,806	
Paycheck Protection Program loan (Note 9)	3,719,693	
Current portion of long-term debt (Note 7)	273,727	358,983
Total Current Liabilities	25,761,319	8,723,668
Capital lease obligations, less current portion (Note 14)	674,532	873,385
Deferred payroll taxes	558,329	
Long-term debt, less current portion (Note 7)	8,334,227	5,832,200
Total Liabilities	35,328,407	15,429,253
Net Assets:		
Without donor restrictions-		
Controlling interest	20,214,441	17,272,400
Noncontrolling interest	4,498,125	1,045,140
Total without donor restrictions	24,712,566	18,317,540
With donor restrictions (Note 10)	5,277,533	3,521,609
Total Net Assets	29,990,099	21,839,149
Total Liabilities and Net Assets	\$ 65,318,506	\$ 37,268,402

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020		Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating Activities				
Support, Revenue and Gains:				
Net patient service revenue	\$ 29,483,673	\$ -	\$ 29,483,673	\$ 36,090,448
Capitation revenue	29,325,317		29,325,317	30,568,599
Contributions and grants	8,614,280	724,423	9,338,703	5,444,405
Paycheck Protection Program loan forgiveness (Note 9)	6,398,307		6,398,307	
In-kind contributions	107,572	562,597	670,169	77,956
Rental revenue	1,699,698		1,699,698	1,631,574
Consultation revenue	140,514		140,514	122,256
Other	16,362		16,362	22,159
Total Operating Support, Revenue and Gains	75,785,723	1,287,020	77,072,743	73,957,397
Net assets released from restriction (Note 10)	573,758	(573,758)		
Total Operating Support, Revenue, Gains and Releases	76,359,481	713,262	77,072,743	73,957,397
Expenses:				
Program services-				
Crisis response	9,633,028		9,633,028	10,711,605
Mental health outpatient	27,093,293		27,093,293	27,014,633
Residential treatment	3,837,107		3,837,107	3,939,024
Housing	2,186,160		2,186,160	2,494,380
Inpatient	5,177,253		5,177,253	5,892,487
Intensive outpatient	10,121,622		10,121,622	8,033,299
Psychiatry	5,197,506		5,197,506	4,985,833
Other program services	1,716,451		1,716,451	1,717,044
Total program services	64,962,420		64,962,420	64,788,305
Supporting services-				
Management and general	7,478,807		7,478,807	9,799,194
Fundraising	1,110,976		1,110,976	800,991
Total supporting services	8,589,783		8,589,783	10,600,185
Total Operating Expenses	73,552,203		73,552,203	75,388,490
Change in Net Assets From Operating Activities	2,807,278	713,262	3,520,540	(1,431,093)

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
 For the Year Ended June 30, 2020
 (With Comparative Totals for 2019)

	2020		Total	2019 Total
	Without Donor Restrictions	With Donor Restrictions		
Nonoperating Activities				
Dividends and interest	8,968	16,112	25,080	32,159
Loss on disposal of fixed assets	(44,023)		(44,023)	(405,533)
Change in Net Assets From Nonoperating Activities	(35,055)	16,112	(18,943)	(373,374)
Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses	2,772,223	729,374	3,501,597	(1,804,467)
Contributions for acquisition of long-term assets		1,156,096	1,156,096	
Unrealized investment losses		(29,570)	(29,570)	(12,980)
Release of restricted net assets related to long-term assets (Note 10)	99,976	(99,976)		
Total Change in Net Assets	2,872,199	1,755,924	4,628,123	(1,817,447)
Noncontrolling interest in net losses of subsidiaries	69,842		69,842	198,958
Total Change in Net Assets Excluding Noncontrolling Interest	\$ 2,942,041	\$ 1,755,924	\$ 4,697,965	\$ (1,618,489)

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions			With Donor Restrictions	2020 Total	2019 Total
	Controlling Interest	Noncontrolling Interest	Total			
Beginning of year, net assets	\$ 17,272,400	\$ 1,045,140	\$ 18,317,540	\$ 3,521,609	\$ 21,839,149	\$ 23,656,596
Change in net assets excluding noncontrolling interest	2,942,041		2,942,041	1,755,924	4,697,965	(1,618,489)
Change in net assets from noncontrolling interests- Noncontrolling interest in net losses of subsidiaries		(69,842)	(69,842)		(69,842)	(198,958)
Partner contributions		3,522,827	3,522,827		3,522,827	
Total change in net assets	2,942,041	3,452,985	6,395,026	1,755,924	8,150,950	(1,817,447)
End of Year, Net Assets	\$ 20,214,441	\$ 4,498,125	\$ 24,712,566	\$ 5,277,533	\$ 29,990,099	\$ 21,839,149

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	Crisis Response	Mental Health Outpatient	Residential Treatment	Housing	Inpatient	Intensive Outpatient	Psychiatry	Other Program Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020 Total	2019 Total
Salaries and wages	\$ 6,633,253	\$ 16,679,731	\$ 2,295,740	\$ 138,907	\$ 2,631,504	\$ 5,969,144	\$ 3,101,843	\$ 910,354	\$ 38,360,476	\$ 3,731,639	\$ 375,354	\$ 4,106,993	\$ 42,467,469	\$ 43,004,098
Pension plan contributions	301,043	677,464	83,517	5,148	101,648	211,415	112,994	47,198	1,540,427	174,366	16,051	190,417	1,730,844	1,684,177
Employee benefits	1,001,669	3,662,053	499,863	34,602	483,045	1,422,025	328,127	163,033	7,594,417	763,932	66,171	830,103	8,424,520	8,227,862
Payroll taxes	590,809	1,501,254	227,811	12,957	250,783	561,532	230,556	74,921	3,450,623	340,977	31,532	372,509	3,823,132	3,570,555
Total Salaries and Related Expenses	8,526,774	22,520,502	3,106,931	191,614	3,466,980	8,164,116	3,773,520	1,195,506	50,945,943	5,010,914	489,108	5,500,022	56,445,965	56,486,692
Occupancy	365,900	1,499,976	285,259	647,193	207,651	599,852	133,300	93,471	3,832,602	399,894	23,470	423,364	4,255,966	4,965,480
Other professional fees	95,981	208,548	16,510	465,886	1,168,425	101,303	1,089,799	69,102	3,215,554	624,650	451,212	1,075,862	4,291,416	4,693,919
Office expenses	240,899	613,705	235,213	34,566	193,039	263,462	72,976	78,152	1,732,012	294,896	62,636	357,532	2,089,544	2,092,147
Depreciation and amortization	154,799	613,809	79,853	469,882	35,288	255,426	56,055	125,327	1,790,439	122,251	8,476	130,727	1,921,166	1,902,120
Client assistance	5,348	717,987	22,267	98,605	5,900	175,233	15	583	1,025,938	593		593	1,026,531	1,100,907
Travel	65,777	215,895	11,247	19,138	8,113	244,115	10,857	10,857	585,999	31,082	4,930	36,012	622,011	805,621
Insurance	90,771	324,906	36,599	103	46,538	162,415	30,345	5,026	696,703	110,868	826	111,694	808,397	788,110
Miscellaneous	22,045	80,629	15,439	51,725	14,447	31,356	8,988	86,255	310,884	329,525	40,526	370,051	680,935	522,653
Accounting fees	43,621	155,590	18,277	1,340	20,885	75,305	13,961	4,628	333,607	144,069	2,280	146,349	479,956	510,905
Interest	7,523	75,281	4,307	152,819	2,333	11,930	7,479	34,541	296,213	261,188	820	262,008	558,221	316,972
Bad debt		1,354		40,287	184	9,566	(7,401)		43,990	19,637	(3,446)	16,191	60,181	548,290
Conferences, conventions and meetings	7,430	35,941	2,635	8,590	4,390	16,908	4,633	11,455	91,982	21,144	1,621	22,765	114,747	222,543
Employee recruitment									54,980	54,980		54,980	54,980	176,758
Legal fees		3,437		3,396			563		7,396	48,388		48,388	55,784	117,167
Information technology	6,125	25,609	2,559	844	3,060	10,567	2,405	653	51,822	4,320	315	4,635	56,457	69,291
Advertising and marketing	35	124	11	172	20	68	11	895	1,336	408	28,202	28,610	29,946	68,915
Total Operating Expenses	\$ 9,633,028	\$ 27,093,293	\$ 3,837,107	\$ 2,186,160	\$ 5,177,253	\$ 10,121,622	\$ 5,197,506	\$ 1,716,451	\$ 64,962,420	\$ 7,478,807	\$ 1,110,976	\$ 8,589,783	\$ 73,552,203	\$ 75,388,490

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 8,150,950	\$ (1,817,447)
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	1,921,166	1,902,120
Debt issuance costs amortization	7,992	11,785
Facility contribution receivable	(369,418)	187,476
Realized and unrealized investment losses	29,570	13,791
Paycheck Protection Program loan forgiveness	(6,398,307)	
Contributions for acquisition of long-term assets	(1,156,096)	
Loss on disposal of fixed assets	44,023	405,533
Changes in assets and liabilities:		
Accounts receivable	(2,605,398)	(677,521)
Grants and contracts receivable	(151,300)	264,301
Pledges receivable	(2,944,053)	13,363
Prepaid expenses and other assets	(125,117)	(116,197)
Accounts payable and accrued liabilities	1,888,477	1,718,176
Deferred payroll taxes	558,329	
Deferred revenue	1,458,573	(1,774,867)
Net Cash Provided by Operating Activities	309,391	130,513
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(4,316,990)	(2,402,948)
Proceeds from sale of fixed assets		449,137
Purchases of investments	(2,049,700)	(2,586,542)
Proceeds from sale of investments	2,026,043	2,316,477
Net Cash Used by Investing Activities	(4,340,647)	(2,223,876)
Cash Flows From Financing Activities:		
Proceeds from capital lease obligations	535,813	851,909
Repayment of capital lease obligations	(771,247)	(629,274)
Proceeds from issuance of long-term debt	3,411,941	29,104
Cash collected on contributions for acquisition of long-term assets	656,096	
Principal payments on long-term debt	(1,003,162)	(592,977)
Proceeds from issuance of Paycheck Protection Program loans	10,118,000	
Net activity on line of credit	8,299,806	
Net Cash Provided (Used) by Financing Activities	21,247,247	(341,238)
Change in Cash, Cash Equivalents and Restricted Cash	17,215,991	(2,434,601)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	3,397,746	5,832,347
End of Year	\$ 20,613,737	\$ 3,397,746
The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sums to the total of the same such amounts shown in the statement of cash flows:		
Cash and cash equivalents	\$ 18,784,945	\$ 2,351,637
Deposits held in trust	1,127,757	920,691
Restricted deposits and funded reserves	701,035	125,418
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ 20,613,737	\$ 3,397,746
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 550,073	\$ 211,364
Fixed asset purchases included in accounts payable at year end	\$ 1,893,105	\$ 100,296
Acquisition of equipment under capital lease obligations	\$ 535,813	\$ 851,909

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - The consolidated financial statements of Compass Health and Subsidiaries (collectively, the Organization) include the activities of Compass Health and its subsidiaries, Luther Child Center, College Hill Consociation, Child Advocacy Center of Snohomish County at Dawson Place, Compass Health Holdings, LLC, Marysville Studio Apartments, LLC, Milwaukee Park Apartments, LP, Compass Health Broadway GP, LLC, Compass Health Broadway PSH, LLLP, Counterpoint Commons, Harmony House North Association and Mental Health Services of Snohomish County II.

Compass Health is a charitable corporation formed in the State of Washington in October 1997 to merge the activities of several not-for-profit organizations. Compass Health offers a full range of behavioral health services in the north Puget Sound region of Washington State.

Luther Child Center (LCC) is a not-for-profit organization that was integral to the formation of Compass Health with Compass Health being LCC's sole member.

Compass Health elects a majority of the Board of Directors of College Hill Consociation and Mental Health Services of Snohomish County II. As Compass Health also has an economic interest in these organizations, they are consolidated with Compass Health in the accompanying consolidated financial statements. Though Compass Health does not have a majority voting interest in Counterpoint Commons, Counterpoint Commons is reported as a consolidated entity of Compass Health due to Compass Health having an economic interest in Counterpoint Commons and retaining control through a sponsorship agreement.

Marysville Studio Apartments, LLC (MSA) was formed as a limited liability company under the laws of the State of Washington in 2002. The project (Alder Commons) consists of 18 housing units in Marysville, Washington. The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended. Compass Health is the managing member with a 0.01% member interest in the limited liability company and the investing member is the National Equity Fund. The limited liability company is reported as a consolidated subsidiary of Compass Health due to the control Compass Health has over the limited liability company as its managing member. On December 31, 2018, MSA transferred all its assets for assumption of all MSA liabilities to Compass Health.

Compass Health is the sole and managing member of Compass Health Holdings, LLC (CHH), a consolidated entity of Compass Health which was formed in January 2007. CHH is the general partner of Milwaukee Park Apartments, LP (MPA), also formed in January 2007. MPA was formed as a limited partnership under the laws of the State of Washington. The general partner is CHH and the investor member is the National Equity Fund. The project consists of 15 studio apartments located in Mount Vernon, Washington. The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended. Compass Health has a 0.01% partnership interest in MPA. MPA is reported as a consolidated entity of Compass Health due to the control Compass Health has over MPA through CHH as its general partner.

Compass Health is the sole and managing member of Compass Health Broadway GP, LLC (CHB GP), a consolidated entity of Compass Health which was formed in January 2020. CHB GP is the general partner of Compass Health Broadway PSH, LLLP (PSH), formed in January 2018. PSH was formed as a limited liability limited partnership under the laws of the State of Washington in 2018. The general partner is CHB GP and the investor member is the National Equity Fund. The project consists of an 82-unit permanent supportive housing complex located in Everett, Washington. The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended. Compass Health has a 0.01% partnership interest in PSH. PSH is reported as a consolidated entity of Compass Health due to the control Compass Health has over PSH.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Child Advocacy Center of Snohomish County at Dawson Place (Dawson Place) was incorporated in July 2009, as a Washington state charitable corporation. Dawson Place is a child advocacy center located in Everett, Washington that provides a facility where local governmental agencies and not-for-profit organizations provide comprehensive services to child victims of sexual or physical abuse in Snohomish County, Washington. As Compass Health is the sole corporate member of Dawson Place and has an economic interest in Dawson Place, Dawson Place is reported as a consolidated entity of Compass Health.

Harmony House North Association (Harmony House) was incorporated in November 1990 as a Washington not-for-profit corporation. Harmony House developed and built Harmony House North (the Project), a 15-unit apartment complex located in Marysville, Washington. The Project provides affordable housing to chronically mentally ill tenants. As Compass Health is the sole corporate member of Harmony House and has an economic interest in Harmony House, Harmony House is reported as a consolidated entity of Compass Health.

Behavioral Health Northwest (BHN), a nonprofit corporation, was incorporated in fiscal year 2011 and facilitates a network of providers in Washington State to provide transitional care to keep individuals in their homes. Compass Health and another not-for profit organization have equal membership rights to BHN. As such, BHN has not been consolidated with Compass Health for the years ended June 30, 2020 and 2019.

At June 30, 2020 noncontrolling interest presented in the consolidated financial statements is comprised of the ownership interest of members and partners related to Milwaukee Park Apartments, LP and Compass Health Broadway PSH, LLLP.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Compass Health and its subsidiaries. Inter-entity transactions and balances have been eliminated in consolidation. The consolidated entity is referred to as the Organization in the notes to the consolidated financial statements.

The Organization provides the following service programs:

Crisis Response - Serves people of all ages who are experiencing acute episodes requiring stabilization. Outpatient services include voluntary crisis outreach, evaluation for voluntary and involuntary inpatient admissions, urgent outpatient appointments, and referrals to ongoing services. Services are provided by a mental health professional, a peer counselor, and in some locations a chemical dependency professional. Triage facility services provide a 24-hour facility-based model for short-term observation and stabilization for individuals with a mental health or chemical dependency crisis. Triage provides professional and peer support, with referral and linkages to resources at discharge, as well as telephone follow-up.

Mental Health Outpatient - Provides counseling, case management, family therapy, group therapy, and psychiatric prescribing, along with other specialized outpatient services. Serves individuals of all ages and families. Services range in intensity from brief interventions to longer term treatment. Treatment plans are tailored to individual needs.

Residential Treatment - Two facilities totaling 32 beds provide 24-hour residential treatment to adults unable to live independently due to a mental illness. Residential services are designed to assist individuals in developing the independent living skills necessary to achieve independence and develop skills to manage their mental health needs in a less restrictive environment.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 – Continued

Housing - Provides safe and affordable housing to individuals who have chronic mental illness. Support services are provided to assist clients coming out of institutions and moving from homelessness to being stably housed. Other support services include HMIS (Homeless Management Information System) data entry required by the U.S. Department of Housing and Urban Development (HUD) and administering the Shelter Plus Care program which provides clients with a voucher to live wherever they chose in the community. At June 30, 2020, the Organization had 13 housing units; 170 beds throughout Snohomish, Skagit and Island counties. In addition, the Organization master leases the Islander Apartment, 9 1-bedroom units for ICHA and 1 - 2 bedroom unit, issued 120 Shelter Plus Care vouchers in Snohomish County and has 9 Skagit Vouchers. The housing program also secures grant funds for motel vouchers to provide a safe place to sleep while staff help look for a permanent housing option.

Inpatient - Operates a 16-bed Evaluation and Treatment Center providing short-term inpatient treatment for individuals involuntarily hospitalized under the Involuntary Treatment Act.

Intensive Outpatient - Provides intensive 24-hour outpatient services to children and adults using a variety of models, including the evidence-based practices of Wraparound for children and the Program for Assertive Community Treatment (PACT) for adults. The programs serve individuals and families with complex needs who are at high risk of crisis and hospitalization, and utilizes a team approach. After hours response is provided first by the treatment team rather than the crisis system.

Psychiatry - Provides psychiatric evaluation and medication management, embedded in most of the service programs listed here.

Other Program Services - Other services related to the Compass Health mission provided directly to the public and affiliated agencies serving common populations, such as community outreach and education, chemical dependency treatment services, care coordination, home health, hospital transition services and payee services.

Basis of Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of the net asset without donor restrictions class.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

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

Comparative Totals - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with original maturities of three months or less, except for those held in its investment and reserves portfolios, to be cash and cash equivalents. Cash and cash equivalents held by financial institutions in interest-bearing accounts at times exceed federally insured limits. As of June 30, 2020 cash and cash equivalents includes \$1,958,251 of proceeds from loan and partner contributions that are restricted to be utilized for the development of the Broadway Supportive Housing project (Note 16).

Deposits Held in Trust - The Organization retains custody of client funds as part of the community support services program, as well as tenant security deposits.

Investments - Investments are carried at fair value and realized and unrealized gains and losses are reflected in the consolidated statement of activities. Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility.

Accounts Receivable - Accounts receivable are stated at net realizable value. Third-party contractual adjustments are made based on past experience. Receivables are reduced by an allowance for estimated uncollectible amounts and accounts deemed uncollectible are charged against this allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential past due receivables. The adequacy of the allowance is based upon management's evaluation of the quality, character and inherent risks associated with the receivables based on past experience. The Organization's policy is to write off outstanding patient balances at the time that they are deemed uncollectible. As of June 30, 2020 and 2019, the Organization estimated the contractual adjustments on outstanding accounts receivable to be \$1,669,997 and \$153,772, respectively.

Bond Issue Costs - Bond issue costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the effective yield method. Amortization expense was \$7,992 and \$11,785 for the years ended June 30, 2020 and 2019, respectively.

Pledges Receivable - Unconditional pledges receivable, less an allowance for uncollectible amounts and present value discount, are recorded as pledges receivable in the year made. Promises to give due within one year totaled \$195,500 at June 30, 2020. Two pledges totaling \$500,000 are considered long-term on the statement of financial position regardless of when they are expected to be collected due to their restriction for capital acquisitions.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Property and Equipment - The Organization capitalizes assets with an estimated useful life of more than one year and a cost greater than \$1,000 except for residential equipment where the capitalization threshold is \$500. Purchased property is carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 7 years
Leasehold improvements	Shorter of the asset useful life or lease term
Vehicles	5 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. When the long-lived assets are placed into service, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

Deferred Revenue - Deferred revenue consists of rents and contract payments received and not yet earned.

Malpractice Insurance and Other Claims - The Organization purchases professional and general liability insurance to cover medical malpractice claims. The insurance policy provides claims-made malpractice insurance coverage which covers only asserted malpractice claims. The Organization recognizes expenses associated with unasserted malpractice claims in the period in which the incidents are expected to have occurred, rather than when a claim is asserted. The Organization is involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. In management's opinion, the outcome from these matters will not materially impact the Organization's consolidated financial position or results of activities.

Nonoperating Versus Operating - For the purpose of the changes in net assets on the consolidated statement of activities, the Organization considers the gain or loss on sale or disposition of fixed assets, investment returns, contributions and grants restricted for the acquisition of long-term assets to be nonoperating activities.

Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses - The consolidated statement of activities includes excess (deficiency) of support, revenues and gains over (under) expenses which is considered its performance indicator. Changes in net assets which are excluded from the performance indicator, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions restricted for endowment, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets and the related releases).

Net Patient Service Revenue - The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include reimbursed costs, case rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors as final settlements are determined.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 1 - Continued

Capitation Revenue - The monthly capitation payments under agreements with North Sound Behavioral Health Administrative Services Organization (NSBHASO) and Managed Care Organizations to provide mental health services to subscribing participants are based on factors including costs and the number of participants, regardless of services actually performed by the Organization.

Contributions and Grants - Contributions, which include unconditional promises to give (pledges), are recognized as revenues at fair value in the period received. Promises to give receivable in more than one year are discounted at risk adjusted rates, determined at the time the promise is made, for each additional year through the term of the pledge.

Grants are recognized as revenue when the donor-imposed conditions, if any, have been met. The total amount of unrecognized conditional grants was \$1,001,005 at June 30, 2020. The unrecognized amounts of these grants will be recognized as revenue in future periods when, and if, the related conditions are met.

In-Kind Contributions - The Organization accepts contributions of food, clothing, donated use of facilities and other assets for the benefit of its clients. These contributions are recorded at fair value as in-kind contributions and represent the full amount of in-kind contributions recognized during the years ended June 30, 2020 and 2019.

Concentrations - The Organization is partly funded under contracts with NSBHASO and Managed Care Organizations to provide services to eligible recipients. For the years ended June 30, 2020 and 2019, revenues related to contracts with NSBHASO and Managed Care Organizations accounted for approximately 77% and 87% of total operating support, revenue and gains, respectively.

The Organization also grants credit without collateral to its patients, most of whom are local residents and are commonly insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors at June 30, was as follows:

	2020	2019
Managed care organizations	60%	0%
NSBHASO	23%	91%
Other third party payors	11%	7%
Medicaid	5%	0%
Medicare	1%	2%
	100%	100%

The health programs are dependent upon continued funding from government agencies and the legislative acts that impact the programs. The fee for service and cost reimbursement revenues from these programs are subject to periodic audit and review by the governmental agencies.

Collective Bargaining - The Organization has negotiated a collective bargaining agreement (the Agreement) with the Service Employees International Union 1199NW which expired on March 31, 2020. The Organization is currently operating off of the expired agreement as the new agreement is under negotiation and was delayed due to COVID-19 (Note 17). Approximately 63% and 62% of the Organization’s employees are covered under the Agreement during the years ended June 30, 2020 and 2019, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 1 - Continued

Federal Income Taxes - Compass Health, Luther Child Center, Dawson Place, Counterpoint Commons, Harmony House North Association and Mental Health Services of Snohomish County II are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and the Internal Revenue Service has determined these entities are exempt from federal income tax on income related to the respective exempt purposes. College Hill Consociation is a not-for-profit corporation as described in Section 501(c)(2) of the Internal Revenue Code and the Internal Revenue Service has determined this entity to be exempt from federal income tax on income related to its exempt purposes. None of these entities are considered private foundations.

CHH and CHB GP are disregarded entities for tax reporting purposes. MSA is a limited liability company which had elected to be taxed as a partnership under the provisions of the Internal Revenue Code. MPA and PSH are limited partnerships. All profits and losses are passed through to the partners or members. Accordingly, no provision for income taxes has been included in the consolidated financial statements.

Functional Allocation of Expenses - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include occupancy, facility related expenditures and information technology department. Occupancy and facility related expenditures are allocated based on a square footage basis and the information technology department is allocated based upon the number of full time equivalents. Other expenditures are directly related and assigned to a single program or supporting activity.

New Accounting Standards - Effective July 1, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08 - Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update was issued to clarify and improve the scope and accounting guidance for contributions received and contributions made. The update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 had no material impact on Organization's current or historical financial position, changes in net assets or cash flows.

For the year ended June 30, 2020, the Organization adopted ASU No. 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash*, which requires the statement of cash flow to explain the change during the period in total cash, cash equivalents and restricted cash. The statements of cash flows reflect this change as of June 30, 2020.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to conform to the presentation in the current year consolidated financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

Subsequent Events - The Organization has evaluated subsequent events through February 26, 2021, the date on which the consolidated financial statements were available to be issued.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 2 - Net Patient Service Revenue

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

Managed Care Organizations and NSBHASO - The Managed Care Organizations administer both Medicaid and Washington State funds. Providers earn these funds by receiving fees for service to qualified clients for outpatient services up to a pre-determined ceiling. Inpatient services, crisis services, and residential treatment services are reimbursed based on a pre-determined amount or on a fee-for-service basis.

Medicare - Outpatient services rendered to Medicare program beneficiaries are paid at established rates specified by the Centers for Medicare Services Physician Fee Schedule (PFS rate) for mental health services in the State of Washington. For each visit provided to a Medicare program beneficiary, the Organization is paid 80% of the established PFS rate, with the beneficiary being responsible for the remaining 20% representing a co-pay.

The Organization also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per encounter, case rates, discounted charges and per diem payments. Laws and regulations governing Medicare, Medicaid, and the Organization's other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 3 - Restricted Deposits and Funded Reserves

The Organization is required to maintain cash in certain restricted deposits and funded reserves related to loans outstanding. These funds are to be used primarily for replacements of property and equipment and support of operations. Further, the Organization has received contributions from donors which are restricted for long-term purposes. All reserves are maintained in the custody of various banks. Restricted deposits and funded reserves are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Operating reserves	\$ 27,183	\$ 19,018
Capital reserves	117,870	98,900
Cash restricted for the acquisition of long-term assets	548,482	
Debt reserve	<u>7,500</u>	<u>7,500</u>
Total Restricted Deposits and Funded Reserves	<u>\$ 701,035</u>	<u>\$ 125,418</u>

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 4 - Continued

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities valued using Level 3 inputs are based on management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The Organization's mutual funds and exchange-traded funds were valued at quoted market prices in active markets for identical assets, which represent the net asset value (NAV) of shares held by the Organization at year end. Certificates of deposit were valued at cost plus accrued interest, which approximated fair value. There have been no changes in the methodologies used during the years ended June 30, 2020 and 2019.

Investments were reported in the consolidated statement of financial position at June 30 as follows:

	<u>2020</u>	<u>2019</u>
Investments	\$ 258,621	\$ 251,076
Investments limited as to use	<u>878,171</u>	<u>891,629</u>
	<u>\$ 1,136,792</u>	<u>\$ 1,142,705</u>

Fair values of assets measured on a recurring basis were as follows at June 30, 2020:

	Fair Value Measurements			Total
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Certificates of deposit	\$ 258,621	\$ -	\$ -	\$ 258,621
Mutual funds and exchange-traded funds-				
Domestic equity	530,252			530,252
International equity	176,246			176,246
Fixed income	<u>127,186</u>			<u>127,186</u>
Total Investments at Fair Value	<u>\$ 1,092,305</u>	<u>\$ -</u>	<u>\$ -</u>	1,092,305
Money market				<u>44,487</u>
Total Investments				<u>\$ 1,136,792</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 5 - Property and Equipment

A summary of property and equipment at June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 4,470,348	\$ 4,470,348
Projects in progress	6,005,993	1,112,341
Leasehold improvements	3,558,871	2,724,837
Buildings and improvements	28,854,965	28,782,622
Furniture and equipment	5,627,530	5,594,153
Vehicles	<u>218,210</u>	<u>218,210</u>
	48,735,917	42,902,511
Less accumulated depreciation	<u>(20,180,550)</u>	<u>(18,491,884)</u>
Total Property and Equipment, Net	<u>\$ 28,555,367</u>	<u>\$ 24,410,627</u>

Projects in progress at June 30, 2020 and 2019 consisted of the Broadway Campus redevelopment project (Note 16) and various building improvement projects.

For the years ended June 30, 2020 and 2019, depreciation expense was \$1,921,166 and \$1,902,120, respectively.

Note 6 - Unemployment Insurance

The Organization has elected to be self-insured for unemployment compensation. The costs of claims under this program are accrued when incidents occur that give rise to claims. Management has estimated a provision for incurred-but-not-reported claims of \$114,287 and \$20,332 which are included in accrued liabilities in the consolidated statement of financial position at June 30, 2020 and 2019, respectively.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 7 - Long-Term Debt

Long-term debt at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
<u>Compass Health:</u>		
Note payable to Washington Community Reinvestment Association in monthly payments of \$5,386, including interest at 5%. The note matures in April 2038 and is collateralized by the 3315 Lombard Avenue, Everett, WA property.	\$ 967,075	\$ 982,713
Series 2002 Washington Health Care Facilities Authority Bonds (privately placed) payable in monthly installments of \$11,449, including fixed interest at 3.02%, due monthly through May 21, 2022. The bonds are collateralized by property at 3322 Broadway in Everett, WA and 3320 173rd Place NE in Arlington, WA. The Organization is required to comply with restrictive covenants contained in the bond agreement. The Organization was in compliance with the covenants as of June 30, 2020.	222,384	333,317
Note payable to a bank at a variable interest rate with payments that are variable based on the current interest rate. Interest rate and monthly payment at June 30, 2020, was 7.375% and \$3,492, respectively. The note matures June 2023 and is collateralized by the Alder Commons property.	381,677	394,444
Note payable to the Washington State Department of Commerce payable in annual payments of \$15,989, including a fixed interest rate of 1.00%. Note matures October 2046 and is collateralized by Lafollette Place.	376,698	388,799
Note payable to the Washington State Department of Commerce payable in annual installments of \$8,948, including fixed interest of 1.00%. The note matures January 2049 and is collateralized by the Haven House property.	224,280	230,919
Note payable to Washington Community Reinvestment Association payable in monthly payments of \$1,576, including fixed interest at 6.25%. The note matures October 2024 and is collateralized by the 209 Milwaukee St, Mount Vernon, WA property.	211,957	217,436

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 7 - Continued

	2020	2019
<u>Compass Health (Continued):</u>		
Note payable to the State of Washington Department of Commerce payable in annual payments of \$3,503, including fixed interest of 1.00%. The note matures January 2050 and is collateralized by the O'Leary House property.	135,982	138,105
Note payable to a bank in monthly payments of \$1,337, including interest at a variable rate (5.74% at June 30, 2020). The note matures April 2029. Collateralized by the 3645 E McLeod Rd, Bellingham, WA property.	115,985	125,778
Note payable to a bank with principal paid at maturity on February 29, 2020. Monthly interest only payments accruing at a fixed rate of 6.42%. Collateralized by the 3301 Lombard, Everett, WA property.		94,764
Note payable to Primary Care Development Corporation at a fixed rate at 6.25% with an interest reset date on August 1, 2021 when the rate will reset to the greater of the Wall Street Journal Prime rate plus 2% or 6.25% with a rate ceiling of 7.25%. Interest only payments until the interest reset date at which time payments will be due in equal installments to fully amortize the loan by the maturity date of August 20, 2024. Collateralized by the 4807 196th St SW, Lynnwood, WA property.	1,500,000	
Note payable to Snohomish County that bears interest at 0.50% and requires monthly interest only payments with full payment due in September 2044. The property is required to be used for low income housing purposes and is collateralized by the Marysville Studio Apartments.	100,000	100,000
<u>Compass Health Broadway:</u>		
Note payable to Washington State Department of Commerce with a total available borrowing amount of \$4,559,720. Interest accrues at 1% annually. Beginning in March 2038 the note requires annual interest and principal payments of \$240,369 contingent on positive cash flow of the project based upon the annual payment calculation. Principal and interest are due in full at maturity on March 31, 2062 provided continuing use requirements are met. In the event of the sale or change in use of the property Washington State Department of Commerce would be due an amount equal to a proportionate share of the net appreciated value of the property. The note is collateralized by the 3322 Broadway Ave, Everett, WA property.	1,017,301	

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 7 - Continued

	<u>2020</u>	<u>2019</u>
Note payable to Snohomish County. Interest accrues at 1% annually. Principal and interest are due in full at maturity in December 2060 provided continuing use requirements are met. The note is collateralized by the 3322 Broadway Ave, Everett, WA property.	250,000	
<u>Milwaukee Park Apartments:</u>		
Note payable to the Washington State Department of Commerce. The note is noninterest bearing, payments deferred until maturity in December 2048, and is collateralized by the Milwaukee Park Apartments. The property is required to be used for low income housing purposes.	999,269	999,269
<u>Child Advocacy Center of Snohomish County at Dawson Place:</u>		
Note payable, due March 11, 2023, payable \$5,863 per month, including interest fixed at 3.25% until May 2022 at which time the interest rate will be the greater of (i) 3.25%, or (ii) the Federal Home Loan Bank of Seattle Three Year Long-Term Fixed Advanced Rate plus a margin of 3%, multiplied by .65, plus .03%. Secured by the land and building.	1,026,358	1,062,160
<u>Harmony House North:</u>		
Mortgage payable to the U.S. Department of Housing and Urban Development, due February 2032, payable \$4,843 per month, including interest fixed at 8.38%. Secured by the land and building.	431,839	452,825
<u>Mental Health Services of Snohomish County II:</u>		
Mortgage payable in monthly installments of \$8,018 including interest at 9.00% through May 2032. Substantially all of the rental property and equipment is pledged as collateral on the mortgage.	701,848	733,345
Total debt obligations	8,662,653	6,253,874
Less unamortized debt issuance costs	(54,699)	(62,691)
Less current portion	(273,727)	(358,983)
Total Debt, Net of Current Portion	<u>\$ 8,334,227</u>	<u>\$ 5,832,200</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 7 - Continued

Principal maturities of long-term debt are as follows:

For the Year Ending June 30,

2021	\$	273,727
2022		668,984
2023		1,011,849
2024		701,385
2025		1,283,836
Thereafter		<u>4,722,872</u>
	\$	<u>8,662,653</u>

The Organization has multiple very low interest or noninterest bearing notes held by governmental agencies. The Organization has elected not to recognize the in-kind contribution on these notes as interest rates are set by the governmental agencies and are representative of the conditions placed on the related notes, resulting in the interest rates not being considered below market due to the additional conditions.

Note 8 - Line of Credit

The Organization has a line of credit with a financial institution with a credit limit equal to the lesser of \$10,000,000 or 90% of the Organizations eligible accounts receivable (approximately \$8,349,000 as of June 30, 2020). Borrowing under this line bears interest at the greater of the WSJ prime rate plus 2.25% or 5.5% (5.5% as of June 30, 2020). The line is secured by the equipment and accounts receivable of the Organization. The outstanding balance on the line of credit was \$8,299,806 and \$0 at June 30, 2020 and 2019, respectively. The line of credit matures in May 2021.

The Organization has an additional line of credit with a financial institution with a credit limit of \$2,500,000. Borrowing under this line bears interest at the greater of the WSJ prime rate plus 2.25% or 5.5% (5.5% as of June 30, 2020). The line is secured by the 4526 Federal Avenue, Everett, WA property. There was no outstanding balance on the line of credit at June 30, 2020 and 2019, respectively. The line of credit matures in July 2021.

Note 9 - Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 20, 2020, Dawson Place obtained a loan under the PPP with a principal balance of \$118,000 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning October 20, 2020 through maturity on March 20, 2022. Additionally, on April 30, 2020, Compass Health obtained a loan under the PPP with a principal balance of \$10,000,000 and an annual interest rate of 1%. Principal and interest are payable in monthly installments beginning October 30, 2020 through maturity on April 30, 2022.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 9 - Continued

All or a portion of the PPP loan may be forgiven if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. The Organization follows the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, the Organization recognizes revenue when the barriers to entitlement to loan forgiveness are met. Management of the Organization has determined that the barriers to entitlement consist of the incurrence of qualifying expenses. Management has determined that \$6,398,307 of qualifying expenses were incurred during the year ended June 30, 2020 and so revenue in the amount of \$6,398,307 has been recognized in the 2020 consolidated statements of activities. A corresponding reduction to the loan liability has been recorded for the amount of revenue recognized.

A rollforward of the PPP loan liability balance is presented below:

Liability balance at June 30, 2019	\$ -
Principal borrowed on PPP loan	10,118,000
Revenue recognized for loan forgiveness	<u>(6,398,307)</u>
Liability Balance at June 30, 2020	<u><u>\$ 3,719,693</u></u>

To complete the loan forgiveness process management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application. A risk exists that the lender or the SBA may reject some or all of the requested forgiveness amount during the review process, in which case the Organization will be required to repay the amount that is not forgiven.

Future minimum principal payments on the PPP loan are as follows if the loan is not forgiven:

For the Year Ending June 30,	
2021	\$ 4,753,593
2022	<u>5,364,407</u>
	<u><u>\$ 10,118,000</u></u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to passage of time or expenditure for a specified purpose-		
Operating:		
Restricted for program services	\$ 1,142,661	\$ 783,043
Time restricted	26,271	52,046
Time restricted endowment accumulated earnings (Note 13)	591,683	605,141
Facility contribution receivable (Note 14)	562,597	193,179
Nonoperating:		
Secure the future	18,036	18,036
Acquisition of long-term assets	1,166,096	
Forgivable loans (Note 11)	<u>1,483,701</u>	<u>1,583,676</u>
	4,991,045	3,235,121
Endowment corpus (Note 13)	<u>286,488</u>	<u>286,488</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,277,533</u>	<u>\$ 3,521,609</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30 as follows:

	<u>2020</u>	<u>2019</u>
Operating-		
Released for program expenses	\$ 382,864	\$ 368,839
Time restricted	6,571	43,580
Facility contribution receivable (Note 14)	<u>184,323</u>	<u>196,332</u>
Net Assets Released (Operating)	<u>\$ 573,758</u>	<u>\$ 608,751</u>
Nonoperating-		
Acquisition of fixed assets	\$ -	\$ 19,103
Amortization of forgivable loans	<u>99,976</u>	<u>235,140</u>
Net Assets Released (Nonoperating)	<u>\$ 99,976</u>	<u>\$ 254,243</u>

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 11 - Forgivable Loans

The Organization received cumulative forgivable loan proceeds of \$2,915,900 through the year ended June 30, 2020. Under terms of the agreements, the facilities funded by these proceeds must be used to continue the mission of the Organization and provide housing for mentally ill and low to very-low income individuals for periods of time expiring through 2056. The forgivable loans are secured by the property at those sites. As management believes the conditions related to these loans are met at the time the Organization becomes entitled to receive proceeds from the arrangement, the proceeds from these forgivable loans have been recognized as net assets with donor restrictions (Note 10). The restricted balances are being released over the shorter of the term of the loan arrangement or the useful life of the asset funded with the proceeds of the loan. The full original amounts are due on demand and in some cases the funders' prorated share of accumulated appreciation would also be due should the Organization sell the property or fall out of compliance with the specified use restriction, thus representing a contingent liability. As of June 30, 2020, the Organization is in compliance with the restrictions.

Remaining restricted balances on forgivable loans for the years ended June 30 were as follows:

	<u>2020</u>	<u>2019</u>
Federal note payable to the State of Washington Department of Commerce with an original amount of \$682,793. Note is noninterest bearing and is forgivable in June 2044 provided the property is continuously used to house the chronically mentally ill. Collateralized by the Alder Commons property.	\$ 409,674	\$ 426,746
Capital advances from HUD with an original amount of \$760,500. Under the terms of the agreement, the facilities funded by these proceeds must be used to continue to provide housing for very-low income individuals for periods of time expiring through April 1, 2036. The forgivable capital advances are secured by the Counterpoint Commons property.	323,213	342,222
Capital advance from the Washington State Department of Commerce with an original amount totaling \$1,616,875. The capital advances are due and payable if property is not used through August 2019 for the co-location of services to serve children who have been abused. The property is secured and restricted to be used as a child advocacy center.		27,031
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$200,000. The note is noninterest bearing and is forgivable June 2050 provided the property is used to house the chronically mentally ill. Collateralized by the Haven House property.	117,000	121,000

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 11 - Continued

	<u>2020</u>	<u>2019</u>
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$188,134. The note is noninterest bearing and is forgivable July 2056 provided the property is used to house the chronically mentally ill. Collateralized by the Burke property.	113,142	116,277
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$250,000. Note is noninterest bearing and is forgivable August 2028 provided the property is used to house the chronically mentally ill. Collateralized by the Alder Commons property.	80,868	90,770
Note payable to Snohomish County Office of Housing and Community Development with an original amount of \$151,529. The note is noninterest bearing and forgivable July 2056 provided the property is used to house the chronically mentally ill. Collateralized by the Burke property.	91,128	93,653
Federal note payable to Snohomish County Office of Housing and Community Development with an original amount of \$111,820. The note is noninterest bearing and forgivable July 2056 provided the property is used to house the chronically mentally ill. Collateralized by the Burke property.	67,247	69,111
Federal note payable to Community Housing Improvement Program with an original amount of \$115,000. The note is noninterest bearing and is forgivable August 2029 provided the property is used by Compass Health. Collateralized by the Bailey property.	42,167	46,767
Note payable to Washington State Department of Commerce with an original amount of \$76,363. The note is noninterest bearing and forgivable July 2056 provided the property is used continuously to house the chronically mentally ill. Collateralized by the Burke property.	47,727	49,000
Note payable to Washington State Department of Commerce with an original amount of \$79,526. The note is noninterest bearing and forgivable June 2049 provided the property is used to house low income, chronically mentally ill persons. Collateralized by the Camellia property.	46,125	47,716

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 11 - Continued

	<u>2020</u>	<u>2019</u>
Capital advances from Snohomish County with an original amount of \$83,767. Under terms of the agreement, the facilities funded by these proceeds must be used to continue to provide housing for very-low income individuals for periods of time expiring through July 17, 2046. The forgivable capital advances are secured by the Counterpoint Commons property.	45,233	46,910
Note payable to Community Housing Improvement Program with an original amount of \$67,500. The note is noninterest bearing and forgivable March 2034 provided the property is used by Compass Health. Collateralized by the Hoyt property.	37,883	40,638
Note payable to Washington State Department of Commerce with an original amount of \$65,968. The note is noninterest bearing and forgivable October 2046 provided the property is used to house the chronically mentally ill. Collateralized by the Lafollette Place property.	38,604	40,070
Capital advance from the Washington State Department of Commerce with an original amount totaling \$83,000. Under the terms of the agreement, the facilities funded by these proceeds must be used to continue to provide housing for low income individuals for periods of time expiring through November 1, 2031. The forgivable capital advance is secured by the property at Harmony House North.	23,690	25,765
	<u>\$ 1,483,701</u>	<u>\$ 1,583,676</u>

Note 12 - Employee Benefit Plans

The Organization sponsors a 403(b) Tax Deferred Annuity plan (the Plan) covering all eligible employees. Eligible employees include all employees of the Organization other than those covered under the collective bargaining agreement. The Organization matches 100% of the first 2% of contributions made by the participants. The Organization also makes a nonelective contribution equal to 3% of each participant's eligible compensation. Retirement plan expense was \$1,730,844 and \$1,684,177 for the years ended June 30, 2020 and 2019, respectively.

Note 13 - Endowments

The Organization's endowment fund consists of one fund, the income of which is donor-restricted as a reserve for operational needs. The endowment assets are invested in bond and equity mutual funds and exchange-traded funds that are included in investments at June 30, 2020 and 2019.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 13 - Continued

Institutional Funds Act (PMIFA) as making it advisable for the Organization to track the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions - endowment corpus (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions - endowment accumulated earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Endowment Investment and Spending Policies - The long-range financial goal for the Organization is to enhance its available resources through the generation of annual distributable income from invested funds. The Board of Directors has adopted a “total return” philosophy. “Total return” investing, combined with a prudent spending rate, allows for donated funds to increase their value through growth. The amount available from the endowment fund for distribution will be the balance of the fund that exceeds the sum total of all gifts made to the endowment fund.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2020 and 2019, no such deficiencies existed.

Endowment net asset composition by type of fund was as follows at June 30:

	Net Assets Without Donor Restrictions	<u>Net Assets With Donor Restrictions</u>		<u>2020 Total</u>	<u>2019 Total</u>
		Accumulated Earnings	Endowment Corpus		
Endowment to fund operating reserves	\$ -	\$ 591,683	\$ 286,488	\$ 591,683	\$ 605,141

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 13 - Continued

Changes to endowment net assets for the year ended June 30 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions Accumulated Earnings	Endowment Corpus	2020 Total	2019 Total
Endowment net assets beginning of year	\$ -	\$ 605,141	\$ 286,488	\$ 891,629	\$ 886,431
Investment returns		(13,458)		(13,458)	5,198
Endowment Net Assets, End of Year	\$ -	\$ 591,683	\$ 286,488	\$ 878,171	\$ 891,629

Note 14 - Leases

Operating Lease - The Organization leases facilities under cancelable and noncancelable lease agreements. The facilities are mostly leased on a month-to-month basis with governmental and not-for-profit organizations. Future minimum lease payments under noncancelable leases are as follows:

For the Year Ending June 30,

2021	\$ 424,484
2022	417,005
2023	326,769
2024	245,207
2025	176,450
Thereafter	486,528

Total Minimum Future Rental Payments **\$ 2,076,443**

For the years ended June 30, 2020 and 2019, rental expense under these arrangements was \$975,088 and \$1,671,194, respectively.

Capital Leases - The Organization acquired equipment and software licenses under capital lease arrangements extending through 2025 with a combined capitalized cost and accumulated depreciation of \$1,062,079 and \$2,088,218 at June 30, 2020 and 2019, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 14 - Continued

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of the net minimum lease payments as follows:

For the Year Ending June 30,

2021	\$ 737,950
2022	422,967
2023	149,711
2024	122,462
2025	<u>5,824</u>
Total minimum lease payments	1,438,914
Less amount representing interest	<u>(64,443)</u>
Present value of net minimum lease payments	1,374,471
Less current portion	<u>(699,939)</u>
	<u><u>\$ 674,532</u></u>

Contributed Facilities - The Organization leases a facility located in Bellingham, Washington from Whatcom County expiring in 2023 with remaining options to renew for three (3) consecutive three year periods. During 2020, the Organization renewed the lease. Under terms of the lease, the Organization shall pay Whatcom County \$10 annually. The difference between the fair market value of the lease and the required payments is considered contributed facilities.

The Organization has reported the value of the contributed lease commitments from Whatcom County as a facility contribution receivable on the consolidated statement of financial position. The facility contribution receivable, discounted to present value, recorded at June 30, 2020 and 2019 was \$562,597 and \$193,179, respectively.

Note 15 - Liquidity and Availability

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has committed lines of credit (Note 8).

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

Note 15 - Continued

The Organization's financial assets available within one year of the statement of financial position date for general expenditure were as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 18,784,945	\$ 2,351,637
Deposits held in trust	1,127,757	920,691
Accounts receivable, net of allowance	9,264,390	6,658,992
Grants and contracts receivable, net of allowance	742,090	590,790
Pledges receivable	580,265	136,212
Restricted deposits and funded reserves	701,035	125,418
Investments	<u>1,136,792</u>	<u>1,142,705</u>
Total financial assets	32,337,274	11,926,445
Less those unavailable for general expenditures within one year, due to- Contractual or donor-imposed restrictions:		
Endowment funds	(878,171)	(891,629)
Restricted for acquisition of fixed assets or secure the future fund	(1,184,132)	(18,036)
Contractually restricted to fund reserves	(152,553)	(125,418)
Legally restricted for Broadway Supportive Housing project	(1,958,251)	
Legally restricted deposits held in trust	<u>(1,127,757)</u>	<u>(920,691)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 27,036,410</u>	<u>\$ 9,970,671</u>

The Organization considers contributions restricted for programs which are ongoing, major, and central to its operations to be available to meet cash needs for general expenditures.

Note 16 - Broadway Campus Redevelopment

During the year ended June 30, 2018, Compass Health formed Compass Health Broadway PSH, LLLP as a limited liability limited partnership for the purpose of developing an 82-unit permanent supportive housing complex on a portion of the Broadway Campus. As of June 30, 2019, Compass Health had included in projects in process approximately \$5,434,594 of costs associated with the development of the project. As of June 30, 2020, Compass Health has received committed debt financing of \$7,929,966, partner equity commitments of \$17,426,053 and contributions from donors of \$1,041,096 for the project. As of June 30, 2020, the Organization has commitments for construction and architectural activities associated with the project with total contract values of \$18,598,428. As of June 30, 2020, total costs incurred under the contracts were \$3,106,361 and the remaining commitment totaled \$15,492,067.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for 2019)

Note 17 - Risks and Uncertainties Created by the COVID-19 Pandemic

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. As a result, employees of the Organization are working remotely and eliminating non-essential business travel. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain, however, the Organization saw a decrease in service rates in March through June 2020, which is consistent with other Behavioral Health Organizations. To mitigate the financial impacts of the COVID-19 pandemic, management has obtained an SBA loan under the CARES Act Paycheck Protection Program (Note 9). Also available under the CARES Act, the Company has elected to defer payment of the employer portion of Social Security taxes until December 2021 and 2022. The deferral totaled \$558,329 at June 30, 2020 and is included on the statement of financial position as a liability.

SUPPLEMENTARY INFORMATION

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets
 June 30, 2020
 (With Comparative Totals for 2019)

Assets	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Compass Health Broadway	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated 2020 Total	Consolidated 2019 Total
Current Assets:												
Cash and cash equivalents	\$ 15,935,113	\$ 14,486	\$ 842,263	\$ 1,958,251	\$ 10,080	\$ 11,353	\$ 8,898	\$ 4,501	\$ 18,784,945	\$ -	\$ 18,784,945	\$ 2,351,637
Deposits held in trust	1,115,002				2,595	2,061	4,571	3,528	1,127,757		1,127,757	920,691
Accounts receivable, net	9,264,368						22		9,264,390		9,264,390	6,658,992
Grants and contracts receivable, net	762,277	1,124	100,262		844			408	864,915	(122,825)	742,090	590,790
Current portion of facility contribution receivable	181,942								181,942		181,942	193,179
Pledges receivable, net	61,600		19,703						81,303		81,303	136,212
Other receivable	3,000,000								3,000,000		3,000,000	
Current portion of notes receivable	71,875								71,875	(71,875)		
Prepaid expenses and other current assets	841,034	5,632	24,599				295	27	871,587	(20,000)	851,587	726,922
Total Current Assets	31,233,211	21,242	986,827	1,958,251	13,519	13,414	13,786	8,464	34,248,714	(214,700)	34,034,014	11,578,423
Restricted deposits and funded reserves	537,946		18,036		48,667	57,701	25,002	13,683	701,035		701,035	125,418
Facility contribution receivable, less current portion	380,655								380,655		380,655	
Pledges receivable, less current portion	498,962								498,962		498,962	
Investments			258,621						258,621		258,621	251,076
Investments limited as to use	878,171								878,171		878,171	891,629
Beneficial interest in trust	11,681								11,681		11,681	11,229
Property and equipment, net	13,610,838	1,500,962	3,653,764	5,684,594	2,246,719	526,412	473,397	902,279	28,598,965	(43,598)	28,555,367	24,410,627
Notes receivable, less current portion	599,887								599,887	(599,887)		
Inter-agency accounts	734,854								734,854	(734,854)		
Total Assets	\$ 48,486,205	\$ 1,522,204	\$ 4,917,248	\$ 7,642,845	\$ 2,308,905	\$ 597,527	\$ 512,185	\$ 924,426	\$ 66,911,545	\$ (1,593,039)	\$ 65,318,506	\$ 37,268,402

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2020
(With Comparative Totals for 2019)**

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Compass Health Broadway	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated 2020 Total	Consolidated 2019 Total
Liabilities, Net Assets and Equity												
Current Liabilities:												
Accounts payable	\$ 1,734,508	\$ -	\$ 62,583	\$ 1,910,218	\$ 186,516	\$ 16,392	\$ 50,025	\$ 44,792	\$ 4,005,034	\$ (373,481)	\$ 3,631,553	\$ 1,925,106
Accrued liabilities	6,354,035		2,780		330		5,264	3,014	6,365,423	(330)	6,365,093	4,596,994
Deferred revenue	1,642,553	21,124			20	18	30	6	1,663,751	(20,000)	1,643,751	185,178
Deposits held in trust	1,115,002				2,595	2,061	4,571	3,528	1,127,757		1,127,757	920,887
Current portion of capital lease obligations	699,939								699,939		699,939	736,520
Line of credit	8,299,806								8,299,806		8,299,806	
Paycheck Protection Program loan	3,601,693		118,000						3,719,693		3,719,693	
Current portion of long-term debt	179,367		37,096				34,451	22,813	273,727		273,727	358,983
Total Current Liabilities	23,626,903	21,124	220,459	1,910,218	189,461	18,471	94,341	74,153	26,155,130	(393,811)	25,761,319	8,723,668
Capital lease obligations, less current portion	674,532								674,532		674,532	873,385
Deferred payroll taxes	558,329								558,329		558,329	
Long-term debt, less current portion	4,044,916		976,354	1,574,800	1,044,234	217,388	739,272	409,026	9,005,990	(671,763)	8,334,227	5,832,200
Total Liabilities	28,904,680	21,124	1,196,813	3,485,018	1,233,695	235,859	833,613	483,179	36,393,981	(1,065,574)	35,328,407	15,429,253
Net Assets and Equity:												
Without donor restrictions-												
Controlling interest	14,913,823	1,501,080	3,502,740			(6,778)	(321,428)	417,557	20,006,994	207,447	20,214,441	17,272,400
Noncontrolling interest										4,498,125	4,498,125	1,045,140
Total without donor restrictions	14,913,823	1,501,080	3,502,740			(6,778)	(321,428)	417,557	20,006,994	4,705,572	24,712,566	18,317,540
With donor restrictions	4,667,702		217,695			368,446		23,690	5,277,533		5,277,533	3,521,609
Total net assets	19,581,525	1,501,080	3,720,435			361,668	(321,428)	441,247	25,284,527	4,705,572	29,990,099	21,839,149
Owners' equity				4,157,827	1,075,210				5,233,037	(5,233,037)		
Total Net Assets and Equity	19,581,525	1,501,080	3,720,435	4,157,827	1,075,210	361,668	(321,428)	441,247	30,517,564	(527,465)	29,990,099	21,839,149
Total Liabilities, Net Assets and Equity	\$ 48,486,205	\$ 1,522,204	\$ 4,917,248	\$ 7,642,845	\$ 2,308,905	\$ 597,527	\$ 512,185	\$ 924,426	\$ 66,911,545	\$ (1,593,039)	\$ 65,318,506	\$ 37,268,402

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Compass Health Broadway	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated Total 2020	Consolidated Total 2019
Operating Activities												
Public Support and Revenue Without Donor Restrictions:												
Net patient service revenue	\$ 29,483,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,483,673	\$ -	\$ 29,483,673	\$ 36,090,448
Capitation revenue	29,325,317								29,325,317		29,325,317	30,568,599
Contributions and grants	8,052,450		825,682		41,625				8,919,757	(305,477)	8,614,280	4,903,646
Paycheck Protection Program loan forgiveness	6,398,307								6,398,307		6,398,307	
In-kind contributions	33,962		73,610						107,572		107,572	77,956
Rental revenue	851,456	80,195	203,197		86,283	130,923	278,971	163,893	1,794,918	(95,220)	1,699,698	1,631,574
Consultation revenue	818,474								818,474	(677,960)	140,514	122,256
Other			13,527			836	1,999		16,362		16,362	22,159
Total Support and Revenue Without Donor Restrictions	74,963,639	80,195	1,116,016		127,908	131,759	280,970	163,893	76,864,380	(1,078,657)	75,785,723	73,416,638
Net assets released from restriction	473,722		100,036						573,758		573,758	608,751
Total Support, Revenue and Releases Without Donor Restrictions	75,437,361	80,195	1,216,052		127,908	131,759	280,970	163,893	77,438,138	(1,078,657)	76,359,481	74,025,389
Expenses:												
Program services-												
Crisis response	9,638,075	9,439							9,647,514	(14,486)	9,633,028	10,711,605
Mental health outpatient	27,014,219	159,808							27,174,027	(80,734)	27,093,293	27,014,633
Residential treatment	3,836,903	204							3,837,107		3,837,107	3,939,024
Housing	1,741,785	341			137,252	86,710	181,946	115,112	2,263,146	(76,986)	2,186,160	2,494,380
Inpatient	5,177,067	186							5,177,253		5,177,253	5,892,487
Intensive outpatient	10,095,382	26,240							10,121,622		10,121,622	8,033,299
Psychiatry	5,188,853	8,653							5,197,506		5,197,506	4,985,833
Other program services	1,320,643	1,634	865,721						2,187,998	(471,547)	1,716,451	1,717,044
Total program services	64,012,927	206,505	865,721		137,252	86,710	181,946	115,112	65,606,173	(643,753)	64,962,420	64,788,305
Supporting services-												
Management and general	7,507,237	21,173	76,866		60,701	44,059	72,721	50,646	7,833,403	(354,596)	7,478,807	9,799,194
Fundraising	1,032,526	1,313	184,139						1,217,978	(107,002)	1,110,976	800,991
Total supporting services	8,539,763	22,486	261,005		60,701	44,059	72,721	50,646	9,051,381	(461,598)	8,589,783	10,600,185
Total Expenses	72,552,690	228,991	1,126,726		197,953	130,769	254,667	165,758	74,657,554	(1,105,351)	73,552,203	75,388,490
Change in Net Assets Without Donor Restrictions From Operating Activities	2,884,671	(148,796)	89,326		(70,045)	990	26,303	(1,865)	2,780,584	26,694	2,807,278	(1,363,101)

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities (Continued)
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Compass Health Broadway	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated Total 2020	Consolidated Total 2019
Nonoperating Activities Without Donor Restrictions												
Dividends and interest	\$ 8,725	\$ 2	\$ -	\$ -	\$ 196	\$ -	\$ -	\$ 45	\$ 8,968	\$ -	\$ 8,968	\$ 13,981
Loss on disposal of fixed assets	(425)								(425)	(43,598)	(44,023)	(405,533)
Release of restricted net assets related to long-term assets	50,181		27,032			20,688		2,075	99,976		99,976	254,243
Change in Net Assets Without Donor Restrictions From Nonoperating Activities	58,481	2	27,032		196	20,688		2,120	108,519	(43,598)	64,921	(137,309)
Change in Net Assets Without Donor Restrictions	2,943,152	(148,794)	116,358		(69,849)	21,678	26,303	255	2,889,103	(16,904)	2,872,199	(1,500,410)
Net Asset With Donor Restrictions												
Contributions for program services	567,227		157,196						724,423		724,423	540,759
Contributions for acquisition of long-term assets	1,131,096		25,000						1,156,096		1,156,096	
In-kind rent contribution	562,597								562,597		562,597	
Dividends and interest	16,112								16,112		16,112	18,178
Unrealized investment losses	(29,570)								(29,570)		(29,570)	(12,980)
Release of restricted net assets	(523,903)		(127,068)			(20,688)		(2,075)	(673,734)		(673,734)	(862,994)
Change in Net Assets With Donor Restriction	1,723,559		55,128			(20,688)		(2,075)	1,755,924		1,755,924	(317,037)
Change in Net Assets Before Noncontrolling Interest	4,666,711	(148,794)	171,486		(69,849)	990	26,303	(1,820)	4,645,027	(16,904)	4,628,123	(1,817,447)
Noncontrolling interest in net losses of subsidiaries										69,842	69,842	198,958
Change in Net Assets Excluding Noncontrolling Interest	\$ 4,666,711	\$ (148,794)	\$ 171,486	\$ -	\$ (69,849)	\$ 990	\$ 26,303	\$ (1,820)	\$ 4,645,027	\$ 52,938	\$ 4,697,965	\$ (1,618,489)

See independent auditor's report.