



COMPASS HEALTH AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2021

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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, 2021, 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, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 7, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.S.

Certified Public Accountants
February 7, 2022

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Financial Position
June 30, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 16,156,672	\$ 18,784,945
Deposits held in trust	1,601,790	1,127,757
Accounts receivable, net of allowance for doubtful accounts of \$0 (\$226,476 - 2020)	8,734,743	9,264,390
Grants and contracts receivable, net of allowance for doubtful accounts of \$34,743 (\$66,859 - 2020)	1,377,848	742,090
Current portion of facility contribution receivable (Note 13)	187,476	181,942
Pledges receivable, net of allowance for doubtful amounts of \$28,213 (\$14,400 - 2020)	127,887	81,303
Other receivable		3,000,000
Prepaid expenses and other current assets	<u>831,959</u>	<u>851,587</u>
Total Current Assets	29,018,375	34,034,014
Restricted deposits and funded reserves (Note 2)	2,337,606	701,035
Facility contribution receivable, less current portion (Note 13)	193,178	380,655
Pledges receivable, less current portion	1,089,686	498,962
Investments (Note 3)	265,301	258,621
Investments limited as to use (Notes 3 and 12)	1,100,196	878,171
Beneficial interest in trust	14,266	11,681
Property and equipment, net (Note 4)	<u>48,273,623</u>	<u>28,555,367</u>
Total Assets	<u>\$ 82,292,231</u>	<u>\$ 65,318,506</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,077,797	\$ 3,631,553
Accrued liabilities	5,321,212	6,365,093
Deferred revenue	2,285,473	1,643,751
Deposits held in trust	1,601,690	1,127,757
Current portion of capital lease obligations (Note 13)	510,312	699,939
Line of credit (Note 7)	5,000,000	8,299,806
Paycheck Protection Program loan (Note 8)		3,719,693
Current portion of long-term debt (Note 6)	<u>12,005,312</u>	<u>273,727</u>
Total Current Liabilities	29,801,796	25,761,319
Capital lease obligations, less current portion (Note 13)	492,203	674,532
Deferred payroll taxes, less current portion	875,235	558,329
Long-term debt, less current portion (Note 6)	<u>13,179,871</u>	<u>8,334,227</u>
Total Liabilities	44,349,105	35,328,407
Net Assets:		
Without donor restrictions-		
Controlling interest	26,236,885	20,214,441
Noncontrolling interest	<u>4,184,070</u>	<u>4,498,125</u>
Total without donor restrictions	30,420,955	24,712,566
With donor restrictions (Note 9)	<u>7,522,171</u>	<u>5,277,533</u>
Total Net Assets	<u>37,943,126</u>	<u>29,990,099</u>
Total Liabilities and Net Assets	<u>\$ 82,292,231</u>	<u>\$ 65,318,506</u>

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating Activities				
Support, Revenue and Gains:				
Net patient service revenue	\$ 26,075,031	\$ -	\$ 26,075,031	\$ 29,483,673
Capitation revenue	31,486,257		31,486,257	29,325,317
Contributions and grants	10,026,726	540,021	10,566,747	9,338,703
Paycheck Protection Program loan forgiveness (Note 8)	3,719,693		3,719,693	6,398,307
In-kind contributions	101,631		101,631	670,169
Rental revenue	1,767,969		1,767,969	1,699,698
Consultation revenue	95,887		95,887	140,514
Other	29,789		29,789	16,362
Total Operating Support, Revenue and Gains	73,302,983	540,021	73,843,004	77,072,743
Net assets released from restriction (Note 9)	708,489	(708,489)		
Total Operating Support, Revenue, Gains and Releases	74,011,472	(168,468)	73,843,004	77,072,743
Expenses:				
Program services-				
Crisis response	10,514,211		10,514,211	9,633,028
Mental health outpatient	21,960,919		21,960,919	27,093,293
Residential treatment	2,530,471		2,530,471	3,837,107
Housing	3,130,660		3,130,660	2,186,160
Inpatient	4,831,258		4,831,258	5,177,253
Intensive outpatient	10,521,804		10,521,804	10,121,622
Psychiatry	3,859,631		3,859,631	5,197,506
Other program services	2,739,813		2,739,813	1,716,451
Total program services	60,088,767		60,088,767	64,962,420
Supporting services-				
Management and general	7,365,107		7,365,107	7,478,807
Fundraising	1,023,468		1,023,468	1,110,976
Total supporting services	8,388,575		8,388,575	8,589,783
Total Operating Expenses	68,477,342		68,477,342	73,552,203
Change in Net Assets From Operating Activities	5,534,130	(168,468)	5,365,662	3,520,540

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
 For the Year Ended June 30, 2021
 (With Comparative Totals for 2020)

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
Nonoperating Activities				
Dividends and interest	42,400	(27,370)	15,030	25,080
Loss on disposal of fixed assets	(42,585)		(42,585)	(44,023)
Change in Net Assets From Nonoperating Activities	(185)	(27,370)	(27,555)	(18,943)
Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses	5,533,945	(195,838)	5,338,107	3,501,597
Contributions for acquisition of long-term assets		2,365,525	2,365,525	1,156,096
Unrealized investment gains (losses)		249,395	249,395	(29,570)
Release of restricted net assets related to long-term assets (Note 9)	174,444	(174,444)		
Total Change in Net Assets	5,708,389	2,244,638	7,953,027	4,628,123
Noncontrolling interest in net losses of subsidiaries	314,055		314,055	69,842
Total Change in Net Assets Excluding Noncontrolling Interest	\$ 6,022,444	\$ 2,244,638	\$ 8,267,082	\$ 4,697,965

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions			With Donor Restrictions	2021 Total	2020 Total
	Controlling Interest	Noncontrolling Interest	Total			
Beginning of year, net assets	\$ 20,214,441	\$ 4,498,125	\$ 24,712,566	\$ 5,277,533	\$ 29,990,099	\$ 21,839,149
Change in net assets excluding noncontrolling interest	6,022,444		6,022,444	2,244,638	8,267,082	4,697,965
Change in net assets from noncontrolling interests- Noncontrolling interest in net losses of subsidiaries		(314,055)	(314,055)		(314,055)	(69,842)
Partner contributions						3,522,827
Total change in net assets	6,022,444	(314,055)	5,708,389	2,244,638	7,953,027	8,150,950
End of Year, Net Assets	\$ 26,236,885	\$ 4,184,070	\$ 30,420,955	\$ 7,522,171	\$ 37,943,126	\$ 29,990,099

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	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	2021 Total	2020 Total
Salaries and wages	\$ 7,026,618	\$ 13,630,021	\$ 1,506,832	\$ 152,711	\$ 2,496,674	\$ 6,091,164	\$ 2,666,305	\$ 1,333,640	\$ 34,903,965	\$ 3,645,444	\$ 429,043	\$ 4,074,487	\$ 38,978,452	\$ 42,467,469
Pension plan contributions	293,351	564,604	59,316	4,021	93,317	212,597	134,603	62,173	1,423,982	166,614	19,295	185,909	1,609,891	1,730,844
Employee benefits	961,867	2,743,689	282,112	29,814	450,557	1,402,011	265,392	236,996	6,372,438	664,496	60,031	724,527	7,096,965	8,424,520
Payroll taxes	617,618	1,221,564	144,480	14,032	237,763	575,377	188,670	111,797	3,111,301	307,097	35,383	342,480	3,453,781	3,823,132
Total Salaries and Related Expenses	8,899,454	18,159,878	1,992,740	200,578	3,278,311	8,281,149	3,254,970	1,744,606	45,811,686	4,783,651	543,752	5,327,403	51,139,089	56,445,965
Occupancy	419,495	1,405,908	208,259	1,415,624	225,768	687,796	138,230	137,025	4,638,105	436,064	24,943	461,007	5,099,112	4,255,966
Other professional fees	197,689	150,805	29,954	361,531	935,715	103,846	248,731	112,036	2,140,307	532,557	334,554	867,111	3,007,418	4,291,416
Office expenses	353,367	858,865	180,618	86,661	209,930	452,053	89,147	151,621	2,382,262	339,724	33,100	372,824	2,755,086	2,089,544
Depreciation and amortization	142,230	541,080	43,705	664,380	39,130	317,539	49,083	120,115	1,917,262	200,626	10,133	210,759	2,128,021	1,921,166
Client assistance	15,458	42,664	5,081	166,944	9,556	159,508	2,633	196,306	598,150				598,150	1,026,531
Travel	31,966	92,977	5,050	8,267	15,626	130,479	3,362	16,292	304,019	13,279	1,346	14,625	318,644	622,011
Insurance	136,206	386,429	39,342	5,440	68,408	239,799	35,224	10,604	921,452	129,520	751	130,271	1,051,723	808,397
Miscellaneous	32,538	90,427	9,861	18,066	17,639	51,960	11,368	64,886	296,745	150,748	40,214	190,962	487,707	680,935
Accounting fees	32,422	97,151	9,546	2,107	16,802	59,367	8,851	3,573	229,819	191,473	1,899	193,372	423,191	479,956
Interest	7,031	44,198	1,323	178,876	2,765	14,938	3,089	33,207	285,427	436,577	862	437,439	722,866	558,221
Bad debt	222,762	3,595		18,870		(15,124)	753	3,164	234,020	3,531	7,698	11,229	245,249	60,181
Conferences, conventions and meetings	6,730	26,801	168	5	3,129	8,274	8,423	18,221	71,751	32,455	663	33,118	104,869	114,747
Employee recruitment				1,727					1,727	20,633		20,633	22,360	54,980
Legal fees										66,705		66,705	66,705	55,784
Information technology	16,812	59,978	4,809	1,582	8,452	30,121	5,752	1,639	129,145	27,335	948	28,283	157,428	56,457
Advertising and marketing	51	163	15	2	27	99	15	126,518	126,890	229	22,605	22,834	149,724	29,946
Total Operating Expenses	\$ 10,514,211	\$ 21,960,919	\$ 2,530,471	\$ 3,130,660	\$ 4,831,258	\$ 10,521,804	\$ 3,859,631	\$ 2,739,813	\$ 60,088,767	\$ 7,365,107	\$ 1,023,468	\$ 8,388,575	\$ 68,477,342	\$ 73,552,203

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 7,953,027	\$ 8,150,950
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	2,128,021	1,921,166
Debt issuance costs amortization	7,991	7,992
Facility contribution receivable	181,943	(369,418)
Realized and unrealized investment (gains) losses	(249,395)	29,570
Proceeds from issuance of Paycheck Protection Program loans		10,118,000
Paycheck Protection Program loan forgiveness	(3,719,693)	(6,398,307)
Contributions for acquisition of long-term assets	(2,365,525)	(1,156,096)
Loss on disposal of fixed assets	42,585	44,023
Changes in assets and liabilities:		
Accounts receivable	529,647	(2,605,398)
Grants and contracts receivable	(635,758)	(151,300)
Pledges and other receivables	3,124,552	(2,944,053)
Prepaid expenses and other assets	17,043	(125,117)
Accounts payable, accrued liabilities and deferred payroll taxes	(71,199)	2,446,806
Deferred revenue	641,722	1,458,573
Net Cash Provided by Operating Activities	7,584,961	10,427,391
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(22,624,461)	(4,316,990)
Purchases of investments	(7,234,315)	(2,049,700)
Proceeds from sale of investments	7,255,005	2,026,043
Net Cash Used by Investing Activities	(22,603,771)	(4,340,647)
Cash Flows From Financing Activities:		
Proceeds from capital lease obligations	364,001	535,813
Repayment of capital lease obligations	(735,957)	(771,247)
Proceeds from issuance of long-term debt	16,845,564	3,411,941
Cash collected on contributions for acquisition of long-term assets	1,603,665	656,096
Principal payments on long-term debt	(276,326)	(1,003,162)
Net activity on line of credit	(3,299,806)	8,299,806
Net Cash Provided by Financing Activities	14,501,141	11,129,247
Change in Cash, Cash Equivalents and Restricted Cash	(517,669)	17,215,991
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	20,613,737	3,397,746
End of Year	\$ 20,096,068	\$ 20,613,737
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	\$ 16,156,672	\$ 18,784,945
Deposits held in trust	1,601,790	1,127,757
Restricted deposits and funded reserves	2,337,606	701,035
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ 20,096,068	\$ 20,613,737
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 715,216	\$ 550,073
Fixed asset purchases included in accounts payable at year end	\$ 1,157,506	\$ 1,893,105
Acquisition of equipment under capital lease obligations	\$ 364,001	\$ 535,813

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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.

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 (Andy's Place) 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. CHB GP 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.

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

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, 2021 and 2020.

At June 30, 2021 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, 2021 (With Comparative Totals for 2020)

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, 2021, the Organization had 144 housing units; 254 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. Further, there were 40 additional Shelter Plus Care Vouchers placed at Compass Health Broadway PSH. 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, 2021 (With Comparative Totals for 2020)

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, 2020, 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.

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 receivables include amounts due under client fee-for-service arrangements, which are stated at amounts management expects to collect from outstanding balances based on contractual rates and explicit and implicit price concessions for services rendered. These estimated amounts are subject to further adjustment based upon review by third party payors. Accounts receivable also include amounts owed under other contracts with customers for services provided, which are stated at the amount management expects to collect from outstanding balances.

Grants and Contracts Receivable - Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to change in net assets and a credit to a valuation allowance based on an assessment of the current status of individual accounts.

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 \$456,000 at June 30, 2021. Pledges receivable due within one year of \$300,000 are presented as long-term on the statement of financial position due to their restriction to be utilized for capital acquisition.

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 \$7,991 and \$7,992 for the years ended June 30, 2021 and 2020, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

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).

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

Revenue Recognition - The Organization earns revenue by providing services under the following contracts:

Net Patient Service Revenue - The Organization earns revenue in exchange for patient care services at the amount of consideration the Organization expects to be entitled. These amounts are due from patients, third-party payors (including health insurers and government payors) and others. The Organization has contractual agreements with managed care organizations and other third-party payors. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and implicit price concessions provided. The Organization determines its estimates of contractual adjustments and price concessions based on contractual agreements and historical collection experience. Historical collection rates are monitored, as well as changes in applicable laws, rules and regulations, and contract terms, to assure that provisions are made using the most accurate information available. However, due to the complexities involved in these estimations, actual payments from payors may be different from the estimated amounts recorded. Generally, the Organization submits claims to the payors subsequent to providing the services. Revenue is recognized over the period the patient service care is provided.

Capitation Revenue - The Organization earns revenue under capitation agreements with North Sound Behavioral Health Administrative Services Organization (NSBHASO) and Managed Care Organizations to provide mental health services to subscribing participants, regardless of the volume of services actually performed by the Organization. Capitation contracts include variable consideration for retroactive revenue adjustments for member eligibility determinations and proportional markets share or program share adjustments and is recognized at the amount of consideration the Organization expects to be entitled. Revenue is recognized over the period of time the Organization stands ready to provide services to subscribing participants. Generally, the Organization bills the payors monthly for the prior month of services provided and payment terms provide for the balance to be paid within 30 days.

A summary of the payment arrangements with major third-party payors is 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. At June 30, 2021 and 2020 management has estimated an allowance of \$1,888,462 and \$1,896,473, respectively, to reduce gross accounts receivable for balances expected to be uncollected due to implicit price discounts, contractual adjustment and bad debts.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 1 - Continued

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 \$2,634,789 and \$1,001,005 at June 30, 2021 and 2020, respectively. The unrecognized amounts of these grants will be recognized as revenue in future periods when, and if, the related conditions are met.

The Organization received approximately \$2,000,000 of Provider Relief Funds authorized as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funding received was subject to certain terms and conditions, which include, but are not limited to, funds being utilized for healthcare related expenses and lost revenues attributable to the coronavirus. The Organization follows the accounting guidance for government grants in U.S. GAAP for accounting for the recognition of Provider Relief Funds received. As of June 30, 2021 management had determined that the barriers to entitlement of the funds were not met associated with approximately \$1,900,000 of the funds, which are included in deferred revenue in the statement of financial position.

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, 2021 and 2020.

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, 2021 and 2020, revenues related to contracts with NSBHASO and Managed Care Organizations accounted for approximately 80% and 77% 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:

	<u>2021</u>	<u>2020</u>
Managed care organizations	66%	60%
NSBHASO	23%	23%
Other third party payors	11%	17%
	<u>100%</u>	<u>100%</u>

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

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 1 - Continued

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. Approximately 45% and 63% of the Organization's employees are covered under the Agreement during the years ended June 30, 2021 and 2020, respectively.

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. 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 the 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.

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 7, 2022, the date on which the consolidated financial statements were available to be issued.

Note 2 - 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:

	2021	2020
Operating reserves	\$ 18,996	\$ 27,183
Capital reserves	158,963	117,870
Cash restricted for the acquisition of long-term assets	2,152,147	548,482
Debt reserve	7,500	7,500
Total Restricted Deposits and Funded Reserves	\$ 2,337,606	\$ 701,035

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 3 - 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).

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, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Investments	\$ 265,301	\$ 258,621
Investments limited as to use	1,100,196	878,171
	<u>\$ 1,365,497</u>	<u>\$ 1,136,792</u>

Fair values of assets measured on a recurring basis were as follows at June 30, 2021:

	Fair Value Measurements			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 265,301	\$ -	\$ -	\$ 265,301
Mutual funds and exchange-traded funds-				
Domestic equity	596,683			596,683
International equity	45,096			45,096
Fixed income	422,075			422,075
Total Investments at Fair Value	<u>\$ 1,329,155</u>	<u>\$ -</u>	<u>\$ -</u>	1,329,155
Money market				<u>36,342</u>
Total Investments				<u>\$ 1,365,497</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 4 - Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 4,461,033	\$ 4,470,348
Projects in progress	1,645,914	6,005,993
Leasehold improvements	4,600,833	3,558,871
Buildings and improvements	53,134,110	28,854,965
Furniture and equipment	6,145,191	5,627,530
Vehicles	<u>218,210</u>	<u>218,210</u>
	70,205,291	48,735,917
Less accumulated depreciation	<u>(21,931,668)</u>	<u>(20,180,550)</u>
Total Property and Equipment, Net	<u>\$ 48,273,623</u>	<u>\$ 28,555,367</u>

Projects in progress at June 30, 2021 and 2020, consisted of the Broadway Campus redevelopment project and various building improvement projects.

For the years ended June 30, 2021 and 2020, depreciation expense was \$2,128,021 and \$1,921,166, respectively.

Note 5 - 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 \$21,406 and \$114,287 which are included in accrued liabilities in the consolidated statement of financial position at June 30, 2021 and 2020, respectively.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 6 - Long-Term Debt

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

	<u>2021</u>	<u>2020</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.	\$ 950,638	\$ 967,075
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, 2021.	107,984	222,384
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, 2021, was 7.375% and \$3,492, respectively. The note matures June 2023 and is collateralized by the Alder Commons property.	367,844	381,677
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.	364,476	376,698
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.	217,575	224,280
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.	206,124	211,957
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.	133,839	135,982

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 6 - Continued

	<u>2021</u>	<u>2020</u>
<u>Compass Health (Continued):</u>		
Note payable to a bank in monthly payments of \$1,337, including interest at a variable rate (5.09% at June 30, 2021). The note matures April 2029. Collateralized by the 3645 E McLeod Rd, Bellingham, WA property.	105,593	115,985
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 (WSJ) 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. The Organization was not in compliance with certain financial covenants included in the loan agreement at June 30, 2021 and received a waiver of the non-compliance from the lender.	1,500,000	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.	4,041,092	1,017,301

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 6 - Continued

	<u>2021</u>	<u>2020</u>
<u>Compass Health Broadway (Continued):</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	250,000
Note payable to Key Bank for construction financing with a total available borrowing amount of \$13,683,546. Interest accrues at the Adjusted Daily LIBOR rate (1.79% at June 30, 2021) and is paid monthly. All outstanding principal and accrued unpaid interest are due on March 3, 2022, with an extended maturity date of September 3, 2022 if certain conditions are met. The note is secured by the 3301 Lombard Ave, Everett, WA real property.	11,336,524	
Note payable to Snohomish County. Interest accrues at 1% simple interest. Principal and interest are deferred and due on April 30, 2061. The note is secured by the 3301 Lombard Ave, Everett, WA real property.	1,735,249	
Note payable to a Federal Home Loan Bank of Des Moines. Interest accrues at 3% annually. Principal and interest are payable from available cash and due in full by December 31, 2060. The note is secured by the 3301 Lombard Ave, Everett, WA real property.	750,000	
<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.	989,262	1,026,358

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 6 - Continued

	<u>2021</u>	<u>2020</u>
<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.	409,026	431,839
<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.	<u>667,396</u>	<u>701,848</u>
Total debt obligations	25,231,891	8,662,653
Less unamortized debt issuance costs	(46,708)	(54,699)
Less current portion	<u>(12,005,312)</u>	<u>(273,727)</u>
Total Debt, Net of Current Portion	<u>\$ 13,179,871</u>	<u>\$ 8,334,227</u>

Principal maturities of long-term debt are as follows:

For the Year Ending June 30,

2022	\$ 12,005,312
2023	997,409
2024	701,385
2025	455,707
2026	189,359
Thereafter	<u>10,882,719</u>
	<u>\$ 25,231,891</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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 7 - 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 80% of the Organization's eligible accounts receivable. 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, 2021). The line is secured by the equipment and accounts receivable of the Organization. The outstanding balance on the line of credit was \$5,000,000 and \$8,299,806 at June 30, 2021 and 2020, respectively. The line of credit matures in July 2022.

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 1.50% or 4.75% (4.75% as of June 30, 2021). 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, 2021 or 2020. The line of credit matures in July 2022.

Note 8 - 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.

All or a portion of the PPP loans 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 loans. 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 \$3,719,693 and \$6,398,307 of qualifying expenses were incurred during the year ended June 30, 2021 and 2020, respectively. As a result, revenue in the amount of \$3,719,693 and \$6,398,307, respectively, has been recognized in the 2021 and 2020 consolidated statements of activities. A corresponding reduction to the PPP 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, 2020	\$ 3,719,693
Revenue recognized for loan forgiveness	<u>(3,719,693)</u>
Liability Balance at June 30, 2021	<u><u>\$ -</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. Dawson Place received full forgiveness in the amount of \$118,000 for the PPP loan from the SBA and lender on March 30, 2021. Compass Health received full forgiveness in the amount of \$10,000,000 for the PPP loan from the SBA and lender on June 15, 2021.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 9 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to passage of time or expenditure for a specified purpose-		
Operating:		
Restricted for program services	\$ 1,099,907	\$ 1,142,661
Time restricted	67,500	26,271
Time restricted endowment accumulated earnings (Note 12)	813,708	591,683
Facility contribution receivable (Note 13)	380,654	562,597
Nonoperating:		
Secure the future	18,036	18,036
Acquisition of long-term assets	3,445,121	1,166,096
Forgivable loans (Note 10)	<u>1,410,757</u>	<u>1,483,701</u>
	7,235,683	4,991,045
Endowment corpus (Note 12)	<u>286,488</u>	<u>286,488</u>
Total Net Assets With Donor Restrictions	<u>\$ 7,522,171</u>	<u>\$ 5,277,533</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>2021</u>	<u>2020</u>
Operating-		
Released for program expenses	\$ 485,886	\$ 382,864
Time restricted	26,271	6,571
Facility contribution receivable (Note 13)	<u>196,332</u>	<u>184,323</u>
Net Assets Released (Operating)	<u>\$ 708,489</u>	<u>\$ 573,758</u>
Nonoperating-		
Acquisition of fixed assets	\$ 101,500	\$ -
Amortization of forgivable loans	<u>72,944</u>	<u>99,976</u>
Net Assets Released (Nonoperating)	<u>\$ 174,444</u>	<u>\$ 99,976</u>

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 10 - Forgivable Loans

The Organization received cumulative forgivable loan proceeds of \$2,915,900 through the year ended June 30, 2021. 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 9). 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, 2021, the Organization is in compliance with the restrictions.

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

	<u>2021</u>	<u>2020</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.	\$ 392,605	\$ 409,674
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.	304,200	323,213
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.	113,000	117,000
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.	110,006	113,142
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.	70,966	80,868

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

Note 10 - Continued

	2021	2020
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.	88,602	91,128
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.	65,383	67,247
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.	37,567	42,167
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.	46,454	47,727
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.	44,535	46,125
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.	43,558	45,233
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.	35,128	37,883

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 10 - Continued

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.

37,138	38,604
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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.

<u>21,615</u>	<u>23,690</u>
<u><u>\$ 1,410,757</u></u>	<u><u>\$ 1,483,701</u></u>

Note 11 - 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 \$1,609,891 and \$1,730,844 for the years ended June 30, 2021 and 2020, respectively.

Note 12 - 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, 2021 and 2020.

The Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and has determined it is 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.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 12 - Continued

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, 2021 and 2020, no such deficiencies existed.

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		2021 Total	2020 Total
		Accumulated Earnings	Endowment Corpus		
Endowment to fund operating reserves	\$ -	\$ 813,708	\$ 286,488	\$ 1,100,196	\$ 878,171

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 12 - 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	2021 Total	2020 Total
Endowment net assets beginning of year	\$ -	\$ 591,683	\$ 286,488	\$ 878,171	\$ 891,629
Investment returns		222,025		222,025	(13,458)
Endowment Net Assets, End of Year	\$ -	\$ 813,708	\$ 286,488	\$ 1,100,196	\$ 878,171

Note 13 - 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,

2022	\$ 384,098
2023	354,004
2024	257,632
2025	176,450
2026	116,292
Thereafter	370,236

Total Minimum Future Rental Payments **\$ 1,658,712**

For the years ended June 30, 2021 and 2020, rental expense under these arrangements was \$799,420 and \$975,088, respectively.

Capital Leases - The Organization acquired equipment and software licenses under capital lease arrangements extending through August 2026 with a combined capitalized cost and accumulated depreciation of \$814,000 and \$1,062,079 at June 30, 2021 and 2020, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2021 (With Comparative Totals for 2020)

Note 13 - 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,

2022	\$	544,506
2023		268,518
2024		147,160
2025		77,577
2026		32,353
Thereafter		<u>2,158</u>
Total minimum lease payments		1,072,272
Less amount representing interest		<u>(69,757)</u>
Present value of net minimum lease payments		1,002,515
Less current portion		<u>(510,312)</u>
	\$	<u><u>492,203</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, 2021 and 2020 was \$380,654 and \$562,597, respectively.

Note 14 - 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 7).

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

Note 14 - 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 16,156,672	\$ 18,784,945
Deposits held in trust	1,601,790	1,127,757
Accounts receivable	8,734,743	9,264,390
Grants and contracts receivable, net of allowance	1,377,848	742,090
Pledges receivable, net of allowance	1,217,573	580,265
Restricted deposits and funded reserves	2,337,606	701,035
Investments	<u>1,365,497</u>	<u>1,136,792</u>
Total financial assets	32,791,729	32,337,274
Less those unavailable for general expenditures within one year, due to- Contractual or donor-imposed restrictions:		
Endowment funds	(1,100,196)	(878,171)
Restricted for acquisition of fixed assets or secure the future fund	(3,463,157)	(1,184,132)
Contractually restricted to fund reserves	(185,459)	(152,553)
Legally restricted for Broadway Supportive Housing project		(1,958,251)
Legally restricted deposits held in trust	<u>(1,601,790)</u>	<u>(1,127,757)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 26,441,127</u>	<u>\$ 27,036,410</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.

SUPPLEMENTARY INFORMATION

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets
 June 30, 2021
 (With Comparative Totals for 2020)

	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 2021	Consolidated Total 2020
Assets												
Current Assets:												
Cash and cash equivalents	\$ 15,009,765	\$ 10,455	\$ 1,046,427	\$ 70,075	\$ 8,075	\$ 591	\$ 5,061	\$ 6,223	\$ 16,156,672	\$ -	\$ 16,156,672	\$ 18,784,945
Deposits held in trust	1,564,615			23,440	2,795	2,061	5,351	3,528	1,601,790		1,601,790	1,127,757
Accounts receivable, net	8,731,163				4,350	1,927	1,653		8,739,093	(4,350)	8,734,743	9,264,390
Grants and contracts receivable, net	1,315,822	1,124	198,528	16,994	307			3,908	1,536,683	(158,835)	1,377,848	742,090
Current portion of facility contribution receivable	187,476								187,476		187,476	181,942
Pledges receivable, net	8,887		119,000						127,887		127,887	81,303
Other receivable												3,000,000
Current portion of notes receivable	71,875								71,875	(71,875)		
Prepaid expenses and other current assets	812,707	5,632	27,660	5,531	315	65	49		851,959	(20,000)	831,959	851,587
Total Current Assets	27,702,310	17,211	1,391,615	116,040	15,842	4,644	12,114	13,659	29,273,435	(255,060)	29,018,375	34,034,014
Restricted deposits and funded reserves	2,124,112		35,535		52,773	64,669	39,273	21,244	2,337,606		2,337,606	701,035
Facility contribution receivable, less current portion	193,178								193,178		193,178	380,655
Pledges receivable, less current portion	1,089,686								1,089,686		1,089,686	498,962
Investments			265,301						265,301		265,301	258,621
Investments limited as to use	1,100,196								1,100,196		1,100,196	878,171
Beneficial interest in trust	14,266								14,266		14,266	11,681
Property and equipment, net	15,290,989	1,358,133	3,786,966	23,839,642	2,156,414	500,669	444,938	948,785	48,326,536	(52,913)	48,273,623	28,555,367
Notes receivable, less current portion	871,531								871,531	(871,531)		
Inter-agency accounts	734,840								734,840	(734,840)		
Total Assets	\$ 49,121,108	\$ 1,375,344	\$ 5,479,417	\$ 23,955,682	\$ 2,225,029	\$ 569,982	\$ 496,325	\$ 983,688	\$ 84,206,575	\$ (1,914,344)	\$ 82,292,231	\$ 65,318,506

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2021
(With Comparative Totals for 2020)**

	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 2021	Consolidated Total 2020
Liabilities, Net Assets and Equity												
Current Liabilities:												
Accounts payable	\$ 1,615,338	\$ -	\$ 197,610	\$ 1,203,481	\$ 242,522	\$ 27,881	\$ 72,606	\$ 128,279	\$ 3,487,717	\$ (409,920)	\$ 3,077,797	\$ 3,631,553
Accrued liabilities	5,310,673		2,679		361		5,005	2,855	5,321,573	(361)	5,321,212	6,365,093
Deferred revenue	2,272,513	21,123		9,825		33	1,631	348	2,305,473	(20,000)	2,285,473	1,643,751
Deposits held in trust	1,564,515			23,440	2,795	2,061	5,351	3,528	1,601,690		1,601,690	1,127,757
Current portion of capital lease obligations	509,636			676					510,312		510,312	699,939
Line of credit	5,000,000								5,000,000		5,000,000	8,299,806
Paycheck Protection Program loan												3,719,693
Current portion of long-term debt	567,970		38,337	11,336,524			37,683	24,798	12,005,312		12,005,312	273,727
Total Current Liabilities	16,840,645	21,123	238,626	12,573,946	245,678	29,975	122,276	159,808	30,232,077	(430,281)	29,801,796	25,761,319
Capital lease obligations, less current portion	488,052			4,151					492,203		492,203	674,532
Deferred payroll taxes, less current portion	875,235								875,235		875,235	558,329
Long-term debt, less current portion	3,477,058		940,885	7,391,338	1,046,647	177,698	701,588	384,228	14,119,442	(939,571)	13,179,871	8,334,227
Total Liabilities	21,680,990	21,123	1,179,511	19,969,435	1,292,325	207,673	823,864	544,036	45,718,957	(1,369,852)	44,349,105	35,328,407
Net Assets and Equity:												
Without donor restrictions-												
Controlling interest	20,792,909	1,354,221	3,794,317			14,551	(327,539)	418,037	26,046,496	190,389	26,236,885	20,214,441
Noncontrolling interest										4,184,070	4,184,070	4,498,125
Total without donor restrictions	20,792,909	1,354,221	3,794,317			14,551	(327,539)	418,037	26,046,496	4,374,459	30,420,955	24,712,566
With donor restrictions	6,647,209		505,589			347,758		21,615	7,522,171		7,522,171	5,277,533
Total net assets	27,440,118	1,354,221	4,299,906			362,309	(327,539)	439,652	33,568,667	4,374,459	37,943,126	29,990,099
Owners' equity				3,986,247	932,704				4,918,951	(4,918,951)		
Total Net Assets and Equity	27,440,118	1,354,221	4,299,906	3,986,247	932,704	362,309	(327,539)	439,652	38,487,618	(544,492)	37,943,126	29,990,099
Total Liabilities, Net Assets and Equity	\$ 49,121,108	\$ 1,375,344	\$ 5,479,417	\$ 23,955,682	\$ 2,225,029	\$ 569,982	\$ 496,325	\$ 983,688	\$ 84,206,575	\$ (1,914,344)	\$ 82,292,231	\$ 65,318,506

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Activities
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)**

	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 2021	Consolidated Total 2020
Operating Activities												
Support and Revenue												
Without Donor Restrictions:												
Net patient service revenue	\$ 26,075,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,075,031	\$ -	\$ 26,075,031	\$ 29,483,673
Capitation revenue	31,486,257								31,486,257		31,486,257	29,325,317
Contributions and grants	8,686,888		1,306,232		33,606				10,026,726		10,026,726	8,614,280
Paycheck Protection Program loan forgiveness	3,601,693		118,000						3,719,693		3,719,693	6,398,307
In-kind contributions	49,070		52,561						101,631		101,631	107,572
Rental revenue	885,387	83,993	208,706	33,671	84,487	131,077	273,514	165,898	1,866,733	(98,764)	1,767,969	1,699,698
Consultation revenue	1,042,852								1,042,852	(946,965)	95,887	140,514
Other			10,607			35	386	18,761	29,789		29,789	16,362
Total Support and Revenue Without Donor Restrictions	71,827,178	83,993	1,696,106	33,671	118,093	131,112	273,900	184,659	74,348,712	(1,045,729)	73,302,983	75,785,723
Net assets released from restriction	617,146		91,343						708,489		708,489	573,758
Total Support, Revenue and Releases Without Donor Restrictions	72,444,324	83,993	1,787,449	33,671	118,093	131,112	273,900	184,659	75,057,201	(1,045,729)	74,011,472	76,359,481
Expenses:												
Program services-												
Crisis response	10,519,644	9,488							10,529,132	(14,921)	10,514,211	9,633,028
Mental health outpatient	21,882,166	162,596							22,044,762	(83,843)	21,960,919	27,093,293
Residential treatment	2,530,325	146							2,530,471		2,530,471	3,837,107
Housing	2,356,505	347		164,842	230,249	98,226	236,716	147,644	3,234,529	(103,869)	3,130,660	2,186,160
Inpatient	4,831,004	254							4,831,258		4,831,258	5,177,253
Intensive outpatient	10,495,162	26,642							10,521,804		10,521,804	10,121,622
Psychiatry	3,851,010	8,621							3,859,631		3,859,631	5,197,506
Other program services	2,165,198	1,605	1,237,249						3,404,052	(664,239)	2,739,813	1,716,451
Total program services	58,631,014	209,699	1,237,249	164,842	230,249	98,226	236,716	147,644	60,955,639	(866,872)	60,088,767	64,962,420
Supporting services-												
Management and general	7,106,860	19,804	111,223	40,409	30,388	32,245	43,295	38,622	7,422,846	(57,739)	7,365,107	7,478,807
Fundraising	977,309	1,350	148,900						1,127,559	(104,091)	1,023,468	1,110,976
Total supporting services	8,084,169	21,154	260,123	40,409	30,388	32,245	43,295	38,622	8,550,405	(161,830)	8,388,575	8,589,783
Total Expenses	66,715,183	230,853	1,497,372	205,251	260,637	130,471	280,011	186,266	69,506,044	(1,028,702)	68,477,342	73,552,203
Change in Net Assets Without Donor Restrictions From Operating Activities	5,729,141	(146,860)	290,077	(171,580)	(142,544)	641	(6,111)	(1,607)	5,551,157	(17,027)	5,534,130	2,807,278

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities (Continued)
For the Year Ended June 30, 2021
(With Comparative Totals for 2020)

	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 2021	Consolidated Total 2020
Nonoperating Activities Without Donor Restrictions												
Dividends and interest	\$ 42,349	\$ 1	\$ -	\$ -	\$ 38	\$ -	\$ -	\$ 12	\$ 42,400	\$ -	\$ 42,400	\$ 8,968
Loss on disposal of fixed assets	(42,585)								(42,585)		(42,585)	(44,023)
Release of restricted net assets related to long-term assets	150,181		1,500			20,688		2,075	174,444		174,444	99,976
Change in Net Assets Without Donor Restrictions From Nonoperating Activities	149,945	1	1,500		38	20,688		2,087	174,259		174,259	64,921
Change in Net Assets Without Donor Restrictions	5,879,086	(146,859)	291,577	(171,580)	(142,506)	21,329	(6,111)	480	5,725,416	(17,027)	5,708,389	2,872,199
Net Asset With Donor Restrictions												
Contributions for program services	320,993		219,028						540,021		540,021	724,423
Contributions for acquisition of long-term assets	2,203,816		161,709						2,365,525		2,365,525	1,156,096
In-kind rent contribution												562,597
Dividends, interest and fees	(27,370)								(27,370)		(27,370)	16,112
Unrealized investment gains (losses)	249,395								249,395		249,395	(29,570)
Release of restricted net assets	(767,327)		(92,843)			(20,688)		(2,075)	(882,933)		(882,933)	(673,734)
Change in Net Assets With Donor Restriction	1,979,507		287,894			(20,688)		(2,075)	2,244,638		2,244,638	1,755,924
Change in Net Assets Before Noncontrolling Interest	7,858,593	(146,859)	579,471	(171,580)	(142,506)	641	(6,111)	(1,595)	7,970,054	(17,027)	7,953,027	4,628,123
Noncontrolling interest in net losses of subsidiaries										314,055	314,055	69,842
Change in Net Assets Excluding Noncontrolling Interest	\$ 7,858,593	\$ (146,859)	\$ 579,471	\$ (171,580)	\$ (142,506)	\$ 641	\$ (6,111)	\$ (1,595)	\$ 7,970,054	\$ 297,028	\$ 8,267,082	\$ 4,697,965

See independent auditor's report.