



COMPASS HEALTH AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2022

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Independent Auditor's Report

To the Board of Directors
Compass Health
Everett, Washington

Opinion

We have audited the financial statements of Compass Health and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2022, 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 financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 December 6, 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 Organization's internal control over financial reporting and compliance.

Clark Nuber P.C.

Certified Public Accountants
December 6, 2022

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Financial Position
 June 30, 2022
 (With Comparative Totals for 2021)

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,588,261	\$ 16,156,672
Deposits held in trust	1,483,243	1,601,790
Accounts receivable, net	9,789,140	8,734,743
Grants and contracts receivable, net of allowance for doubtful accounts of \$36,918 (\$34,743 - 2021)	4,673,097	1,377,848
Current portion of facility contribution receivable (Note 13)	193,178	187,476
Pledges receivable, current portion	44,450	156,100
Prepaid expenses and other current assets	1,235,482	831,959
Total Current Assets	23,006,851	29,046,588
Restricted deposits and funded reserves (Note 2)	3,209,779	2,337,606
Facility contribution receivable, less current portion (Note 13)		193,178
Pledges receivable, less current portion and allowance for doubtful amounts of \$30,949 (\$28,213 - 2021)	894,674	1,061,473
Investments (Note 3)	265,806	265,301
Investments limited as to use (Notes 3 and 12)	1,024,087	1,100,196
Beneficial interest in trust	16,258	14,266
Property and equipment, net (Note 4)	50,878,655	48,273,623
Total Assets	\$ 79,296,110	\$ 82,292,231
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,839,767	\$ 3,077,797
Accrued liabilities	4,648,904	5,321,212
Deferred revenue	1,042,565	2,285,473
Deposits held in trust	1,483,742	1,601,690
Current portion of capital lease obligations (Note 13)	180,310	510,312
Line of credit (Note 7)	5,000,000	5,000,000
Current portion of long-term debt (Note 6)	3,951,918	12,005,312
Total Current Liabilities	18,147,206	29,801,796
Capital lease obligations, less current portion (Note 13)	309,910	492,203
Deferred payroll taxes, less current portion		875,235
Long-term debt, less current portion (Note 6)	11,928,598	13,179,871
Total Liabilities	30,385,714	44,349,105
Net Assets:		
Without donor restrictions-		
Controlling interest	29,003,847	26,236,885
Noncontrolling interest	12,353,113	4,184,070
Total without donor restrictions	41,356,960	30,420,955
With donor restrictions (Note 9)	7,553,436	7,522,171
Total Net Assets	48,910,396	37,943,126
Total Liabilities and Net Assets	\$ 79,296,110	\$ 82,292,231

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022		Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating Activities				
Support, Revenue and Gains:				
Net patient service revenue	\$ 26,985,501	\$ -	\$ 26,985,501	\$ 26,075,031
Capitation revenue	32,470,708		32,470,708	31,486,257
Contributions and grants	12,374,810	394,170	12,768,980	10,566,747
Paycheck Protection Program loan forgiveness (Note 8)				3,719,693
In-kind contributions	464,478		464,478	101,631
Rental revenue	2,764,578		2,764,578	1,767,969
Consultation revenue	(10,241)		(10,241)	95,887
Other	10,660		10,660	29,789
Total Operating Support, Revenue and Gains	75,060,494	394,170	75,454,664	73,843,004
Net assets released from restriction (Note 9)	707,613	(707,613)		
Total Operating Support, Revenue, Gains and Releases	75,768,107	(313,443)	75,454,664	73,843,004
Expenses:				
Program services-				
Crisis response	12,917,656		12,917,656	10,514,211
Mental health outpatient	23,079,660		23,079,660	21,960,919
Residential treatment	2,496,778		2,496,778	2,530,471
Housing	5,363,863		5,363,863	3,130,660
Inpatient	5,424,287		5,424,287	4,831,258
Intensive outpatient	10,523,406		10,523,406	10,521,804
Psychiatry	3,465,338		3,465,338	3,859,631
Other program services	2,175,690		2,175,690	2,739,813
Total program services	65,446,678		65,446,678	60,088,767
Supporting services-				
Management and general	8,914,569		8,914,569	7,365,107
Fundraising	1,262,857		1,262,857	1,023,468
Total supporting services	10,177,426		10,177,426	8,388,575
Total Operating Expenses	75,624,104		75,624,104	68,477,342
Change in Net Assets From Operating Activities	144,003	(313,443)	(169,440)	5,365,662

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
 For the Year Ended June 30, 2022
 (With Comparative Totals for 2021)

	2022		Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions		
Nonoperating Activities				
Dividends and interest	179,752	13,869	193,621	15,030
Gain (loss) on disposal of fixed assets	339,398		339,398	(42,585)
Change in Net Assets From Nonoperating Activities	519,150	13,869	533,019	(27,555)
Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses	663,153	(299,574)	363,579	5,338,107
Contributions for acquisition of long-term assets		694,250	694,250	2,365,525
Unrealized investment gains		(89,978)	(89,978)	249,395
Release of restricted net assets related to long-term assets (Note 9)	273,433	(273,433)		
Total Change in Net Assets	936,586	31,265	967,851	7,953,027
Noncontrolling interest in net losses of subsidiaries	1,830,376		1,830,376	314,055
Total Change in Net Assets Excluding Noncontrolling Interest	\$ 2,766,962	\$ 31,265	\$ 2,798,227	\$ 8,267,082

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions			With Donor Restrictions	2022 Total	2021 Total
	Controlling Interest	Noncontrolling Interest	Total			
Beginning of year, net assets	\$ 26,236,885	\$ 4,184,070	\$ 30,420,955	\$ 7,522,171	\$ 37,943,126	\$ 29,990,099
Change in net assets excluding noncontrolling interest	2,766,962		2,766,962	31,265	2,798,227	8,267,082
Change in net assets from noncontrolling interests-						
Noncontrolling interest		(1,830,376)	(1,830,376)		(1,830,376)	(314,055)
in net losses of subsidiaries		(72,188)	(72,188)		(72,188)	
Syndication costs		10,071,607	10,071,607		10,071,607	
Partner contributions						
Total change in net assets	2,766,962	8,169,043	10,936,005	31,265	10,967,270	7,953,027
End of Year, Net Assets	\$ 29,003,847	\$ 12,353,113	\$ 41,356,960	\$ 7,553,436	\$ 48,910,396	\$ 37,943,126

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	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	2022 Total	2021 Total
Salaries and wages	\$ 9,030,210	\$ 14,915,841	\$ 1,387,707	\$ 68,133	\$ 2,911,811	\$ 6,031,730	\$ 2,204,917	\$ 1,167,953	\$ 37,718,302	\$ 4,359,922	\$ 487,979	\$ 4,847,901	\$ 42,566,203	\$ 38,978,452
Pension plan contributions	363,002	587,221	51,677	17,145	108,905	235,029	94,568	55,462	1,513,009	180,548	21,690	202,238	1,715,247	1,609,891
Employee benefits	1,204,238	2,693,582	238,497	155,609	440,822	1,323,921	207,550	206,570	6,470,789	684,726	71,342	756,068	7,226,857	7,096,965
Payroll taxes	759,415	1,241,477	124,140	70,215	254,740	524,352	150,240	99,025	3,223,604	345,081	39,871	384,952	3,608,556	3,453,781
Total Salaries and Related Expenses	11,356,865	19,438,121	1,802,021	311,102	3,716,278	8,115,032	2,657,275	1,529,010	48,925,704	5,570,277	620,882	6,191,159	55,116,863	51,139,089
Occupancy	521,247	1,377,989	246,577	1,969,165	215,039	786,733	127,898	114,118	5,358,766	359,527	25,293	384,820	5,743,586	5,099,112
Other professional fees	83,573	249,106	165,722	479,084	1,045,720	240,835	515,101	76,041	2,855,182	967,095	353,803	1,320,898	4,176,080	3,007,418
Office expenses	360,108	569,976	139,462	114,836	179,994	285,477	46,446	128,533	1,824,832	452,181	20,744	472,925	2,297,757	2,755,086
Depreciation and amortization	168,788	484,927	46,976	1,512,897	57,594	295,618	41,802	124,600	2,733,202	188,497	10,209	198,706	2,931,908	2,128,021
Client assistance	4,539	2,004	2,988	472,357	3,562	142,678		2,760	630,888	16,362		16,362	647,250	598,150
Travel	41,142	115,231	4,221	19,209	2,249	145,771	7,167	13,401	348,391	27,456	1,583	29,039	377,430	318,644
Insurance	272,345	587,369	63,241	13,710	108,104	366,191	45,414	15,847	1,472,221	153,358	697	154,055	1,626,276	1,051,723
Miscellaneous	35,880	76,377	10,189	81,697	15,969	41,745	6,927	110,546	379,330	221,874	197,982	419,856	799,186	487,707
Accounting fees	38,672	83,415	9,130	5,249	15,432	51,578	7,148	5,170	215,794	247,311	1,909	249,220	465,014	423,191
Interest	5,166	28,499	512	378,895	1,234	5,947	1,513	31,664	453,430	284,407	641	285,048	738,478	722,866
Bad debt										26,848	11,000	37,848	37,848	245,249
Conferences, conventions and meetings	16,633	54,404	3,069	2,429	6,979	29,273	6,160	8,201	127,148	36,540	3,264	39,804	166,952	104,869
Employee recruitment					32,219				32,219	123,627		123,627	155,846	22,360
Legal fees				415	19,432				19,847	234,118		234,118	253,965	66,705
Information technology	12,698	12,242	2,670	2,818	4,482	16,528	2,487	1,412	55,337	523	545	1,068	56,405	157,428
Advertising and marketing								14,387	14,387	4,568	14,305	18,873	33,260	149,724
Total Operating Expenses	\$ 12,917,656	\$ 23,079,660	\$ 2,496,778	\$ 5,363,863	\$ 5,424,287	\$ 10,523,406	\$ 3,465,338	\$ 2,175,690	\$ 65,446,678	\$ 8,914,569	\$ 1,262,857	\$ 10,177,426	\$ 75,624,104	\$ 68,477,342

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 10,967,270	\$ 7,953,027
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Depreciation and amortization	2,931,908	2,128,021
Debt issuance costs amortization	7,873	7,991
Facility contribution receivable	187,476	181,943
Realized and unrealized investment losses (gains)	89,978	(249,395)
Capital contribution from noncontrolling interest	(10,071,607)	
Syndication costs	72,188	
Paycheck Protection Program loan forgiveness		(3,719,693)
Contributions for acquisition of long-term assets	(694,250)	(2,365,525)
(Gain) loss on disposal of fixed assets	(339,398)	42,585
Changes in assets and liabilities:		
Accounts receivable	(1,054,397)	529,647
Grants and contracts receivable	(3,295,249)	(635,758)
Pledges and other receivables	87,090	3,124,552
Prepaid expenses and other assets	(405,515)	17,043
Accounts payable, accrued liabilities and deferred payroll taxes	(1,906,999)	(71,199)
Deferred revenue	(1,242,908)	641,722
Net Cash (Used) Provided by Operating Activities	(4,666,540)	7,584,961
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(6,621,564)	(22,624,461)
Proceeds from sale of fixed assets	427,500	
Purchases of investments	(8,485,595)	(7,234,315)
Proceeds from sale of investments	8,471,221	7,255,005
Net Cash Used by Investing Activities	(6,208,438)	(22,603,771)
Cash Flows From Financing Activities:		
Capital contribution from noncontrolling interest	10,071,607	
Payment of syndication costs	(72,188)	
Proceeds from capital lease obligations	8,520	364,001
Repayment of capital lease obligations	(520,815)	(735,957)
Proceeds from issuance of long-term debt	1,603,019	16,845,564
Debt issuance costs	(246,700)	
Cash collected on contributions for acquisition of long-term assets	885,609	1,603,665
Principal payments on long-term debt	(10,668,859)	(276,326)
Net activity on line of credit		(3,299,806)
Net Cash Provided by Financing Activities	1,060,193	14,501,141
Change in Cash, Cash Equivalents and Restricted Cash	(9,814,785)	(517,669)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	20,096,068	20,613,737
End of Year	\$ 10,281,283	\$ 20,096,068
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	\$ 5,588,261	\$ 16,156,672
Deposits held in trust	1,483,243	1,601,790
Restricted deposits and funded reserves	3,209,779	2,337,606
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ 10,281,283	\$ 20,096,068
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 737,774	\$ 715,216
Fixed asset purchases included in accounts payable at year end	\$ 160,984	\$ 1,157,506
Acquisition of equipment under capital lease obligations	\$ 8,520	\$ 364,001

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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, Compass Health Housing Services, 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 Housing Services (CHHS) was incorporated in December 2021 as a not-for-profit organization with Compass Health being CHHS'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, 2022 (With Comparative Totals for 2021)

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, 2022 and 2021. Effective November, 2021, Behavioral Health Northwest (BHN) legally changed their business name to Fourfront Contributor (FC). As of and during the year ended June 30, 2022, the Organization had \$327,938 due from FC and recognized \$554,279 in revenue from contracts with FC, respectively.

At June 30, 2022 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. The Organization operates two 16 bed triage facilities.

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. Effective March 31, 2022, The Organization consolidated residential treatment services into one 16 bed facility.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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, 2022, the Organization had 241 housing units; 256 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 8 Skagit Vouchers. Further, there were 40 additional Shelter Plus Care Vouchers and 10 veterans affairs supportive housing vouchers placed at Compass Health Broadway PSH. The North Sound Behavioral Health Administration Service Organization provides rental assistance to eligible units supported with the Organization services in Snohomish and San Juan County. 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, 2022 (With Comparative Totals for 2021)

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, 2021, 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 \$312,700 at June 30, 2022. Pledges receivable due within one year of \$298,000 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 \$7,873 and \$7,991 for the years ended June 30, 2022 and 2021, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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, 2022 (With Comparative Totals for 2021)

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, 2022 and 2021 management has estimated an allowance of \$1,059,395 and \$1,888,462, 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, 2022 (With Comparative Totals for 2021)

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 \$2,516,872 and \$2,634,789 at June 30, 2022 and 2021, 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 \$2,600,000 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, 2022 management had determined that the barriers to entitlement of the funds were not met associated with approximately \$600,000 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, 2022 and 2021.

Concentrations - The Organization is partly funded under contracts with NSBHASO and Managed Care Organizations to provide services to eligible recipients. For both of the years ended June 30, 2022 and 2021, revenues related to contracts with NSBHASO and Managed Care Organizations accounted for approximately 84% of total operating support, revenue and gains.

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>2022</u>	<u>2021</u>
Managed care organizations	72%	66%
NSBHASO	19%	23%
Other third party payors	9%	11%
	<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, 2022 (With Comparative Totals for 2021)

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 operated off of the expired agreement until the new agreement was executed effective October 22, 2021. The new agreement expires on March 31, 2023. Approximately 59% and 45% of the Organization's employees are covered under the Agreement during the years ended June 30, 2022 and 2021, respectively.

Federal Income Taxes - Compass Health, Luther Child Center, Compass Health Housing Services, 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.

Subsequent Events - The Organization has evaluated subsequent events through December 6, 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:

	<u>2022</u>	<u>2021</u>
Operating reserves	\$ 19,006	\$ 18,996
Capital reserves	145,517	158,963
Cash restricted for the acquisition of long-term assets	3,037,756	2,152,147
Debt reserve	<u>7,500</u>	<u>7,500</u>
Total Restricted Deposits and Funded Reserves	<u>\$ 3,209,779</u>	<u>\$ 2,337,606</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Investments	\$ 265,806	\$ 265,301
Investments limited as to use	1,024,087	1,100,196
	<u>\$ 1,289,893</u>	<u>\$ 1,365,497</u>

Fair values of assets measured on a recurring basis were as follows at June 30, 2022:

	Fair Value Measurements			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 265,806	\$ -	\$ -	\$ 265,806
Mutual funds and exchange-traded funds-				
Domestic equity	722,200			722,200
International equity	202,557			202,557
Fixed income	64,611			64,611
Total Investments at Fair Value	<u>\$ 1,255,174</u>	<u>\$ -</u>	<u>\$ -</u>	1,255,174
Money market				<u>34,719</u>
Total Investments				<u>\$ 1,289,893</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 4 - Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 4,729,103	\$ 4,461,033
Projects in progress	3,444,051	1,645,914
Leasehold improvements	4,704,895	4,600,833
Buildings and improvements	55,009,474	53,134,110
Furniture and equipment	7,106,752	6,145,191
Vehicles	<u>245,830</u>	<u>218,210</u>
	75,240,105	70,205,291
Less accumulated depreciation	<u>(24,361,450)</u>	<u>(21,931,668)</u>
Total Property and Equipment, Net	<u>\$ 50,878,655</u>	<u>\$ 48,273,623</u>

Projects in progress at June 30, 2022 and 2021, consisted of the Broadway Campus redevelopment project and various building improvement projects.

For the years ended June 30, 2022 and 2021, depreciation expense was \$2,931,908 and \$2,128,021 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 \$33,400 and \$21,406 which are included in accrued liabilities in the consolidated statement of financial position at June 30, 2022 and 2021, respectively.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)**

Note 6 - Long-Term Debt

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

	<u>2022</u>	<u>2021</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.	\$ 933,358	\$ 950,638
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 were collateralized by property at 3322 Broadway in Everett, WA and 3320 173rd Place NE in Arlington, WA.		107,984
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, 2022, was 7.375% and \$3,492, respectively. The note matures June 2023 and is collateralized by the Alder Commons property.	352,484	367,844
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.	352,132	364,476
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.	210,803	217,575
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.	199,916	206,124
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.	131,674	133,839

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

Note 6 - Continued

	<u>2022</u>	<u>2021</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, 2022). The note matures April 2029. Collateralized by the 3645 E McLeod Rd, Bellingham, WA property.	94,599	105,593
Note payable to Primary Care Development Corporation at a fixed rate at 6.25%. Interest and principal payments of \$45,803 due monthly until maturity 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, 2022 and received a waiver of the non-compliance from the lender.	1,111,066	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	4,041,092
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

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 6 - Continued

	<u>2022</u>	<u>2021</u>
<u>Compass Health Broadway (Continued):</u>		
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 (2.7% at June 30, 2022) and is paid monthly. During the year ended June 30, 2022, maturity date was extended from March 3, 2022 to September 3, 2022. The note is secured by the 3301 Lombard Ave, Everett, WA real property.	2,939,543	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	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	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, refinanced during the year ended June 30, 2022, due May 1, 2027, payable \$5,863 per month, including interest fixed at 3.25%. Secured by the land and building.	950,925	989,262
<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.	384,228	409,026

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

Note 6 - Continued

	<u>2022</u>	<u>2021</u>
<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.	629,713	667,396
Total debt obligations	16,166,051	25,231,891
Less unamortized debt issuance costs	(285,535)	(46,708)
Less current portion	<u>(3,951,918)</u>	<u>(12,005,312)</u>
Total Debt, Net of Current Portion	<u>\$ 11,928,598</u>	<u>\$ 13,179,871</u>

Principal maturities of long-term debt are as follows:

For the Year Ending June 30,

2023	\$ 3,951,918
2024	701,385
2025	455,707
2026	189,359
2027	940,223
Thereafter	<u>9,927,459</u>
	<u>\$ 16,166,051</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 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% (7% as of June 30, 2022). 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 at June 30, 2022 and 2021, respectively. Subsequent to June 30, 2022, the maturity of the line of credit was extended to June 2023.

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% (6.25% as of June 30, 2022). 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, 2022 or 2021. Subsequent to June 30, 2022, the maturity of the line of credit was extended to July 2023.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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%. 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%.

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.

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.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to passage of time or expenditure for a specified purpose-		
Operating:		
Restricted for program services	\$ 895,128	\$ 1,099,907
Time restricted	71,312	67,500
Time restricted endowment accumulated earnings (Note 12)	737,599	813,708
Facility contribution receivable (Note 13)	193,178	380,654
Nonoperating:		
Secure the future	18,036	18,036
Acquisition of long-term assets	4,014,162	3,445,121
Forgivable loans (Note 10)	<u>1,337,533</u>	<u>1,410,757</u>
	7,266,948	7,235,683
Endowment corpus (Note 12)	<u>286,488</u>	<u>286,488</u>
Total Net Assets With Donor Restrictions	<u>\$ 7,553,436</u>	<u>\$ 7,522,171</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

Note 9 - Continued

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>2022</u>	<u>2021</u>
Operating-		
Released for program expenses	\$ 443,781	\$ 485,886
Time restricted	67,500	26,271
Facility contribution receivable (Note 13)	<u>196,332</u>	<u>196,332</u>
Net Assets Released (Operating)	<u>\$ 707,613</u>	<u>\$ 708,489</u>
Nonoperating-		
Acquisition of fixed assets	\$ 200,209	\$ 101,500
Amortization of forgivable loans	<u>73,224</u>	<u>72,944</u>
Net Assets Released (Nonoperating)	<u>\$ 273,433</u>	<u>\$ 174,444</u>

Note 10 - Forgivable Loans

The Organization received cumulative forgivable loan proceeds of \$2,915,900 through the year ended June 30, 2022. 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, 2022, the Organization is in compliance with the restrictions.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)**

Note 10 - Continued

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

	<u>2022</u>	<u>2021</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.	\$ 375,253	\$ 392,605
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.	285,188	304,200
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.	109,000	113,000
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.	106,870	110,006
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.	61,064	70,966
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.	86,077	88,602

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

Note 10 - Continued

	<u>2022</u>	<u>2021</u>
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.	63,520	65,383
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.	32,967	37,567
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.	45,181	46,454
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.	42,944	44,535
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.	41,884	43,558
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.	32,373	35,128
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.	35,672	37,138

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)**

Note 10 - Continued

	2022	2021
<p>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.</p>	19,540	21,615
	\$ 1,337,533	\$ 1,410,757

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 \$1,715,247 and \$1,609,891 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021.

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, 2022
(With Comparative Totals for 2021)**

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, 2022 and 2021, no such deficiencies existed.

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

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>		<u>2022 Total</u>	<u>2021 Total</u>
		<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>		
Endowment to fund operating reserves	\$ -	\$ 737,599	\$ 286,488	\$ 1,024,087	\$ 1,100,196

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

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		2022 Total	2021 Total
		Accumulated Earnings	Endowment Corpus		
Endowment net assets beginning of year	\$ -	\$ 813,708	\$ 286,488	\$ 1,100,196	\$ 878,171
Investment returns		(76,109)		(76,109)	222,025
Endowment Net Assets, End of Year	\$ -	\$ 737,599	\$ 286,488	\$ 1,024,087	\$ 1,100,196

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,

2023	\$ 487,772
2024	441,343
2025	373,826
2026	217,558
2027	195,959
Thereafter	<u>250,452</u>
Total Minimum Future Rental Payments	<u>\$ 1,966,910</u>

For the years ended June 30, 2022 and 2021, rental expense under these arrangements was \$827,892 and \$799,420, 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 \$407,551 and \$814,000 at June 30, 2022 and 2021, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2022 (With Comparative Totals for 2021)

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,

2023	\$	262,047
2024		147,498
2025		79,286
2026		34,066
2027		<u>3,030</u>
Total minimum lease payments		525,927
Less amount representing interest		<u>(35,707)</u>
Present value of net minimum lease payments		490,220
Less current portion		<u>(180,310)</u>
	\$	<u><u>309,910</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. 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, 2022 and 2021 was \$193,178 and \$380,654, 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, 2022
(With Comparative Totals for 2021)**

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 5,588,261	\$ 16,156,672
Deposits held in trust	1,483,243	1,601,790
Accounts receivable	9,789,140	8,734,743
Grants and contracts receivable, net of allowance	4,673,097	1,377,848
Pledges receivable, net of allowance	939,124	1,217,573
Restricted deposits and funded reserves	3,209,779	2,337,606
Investments	<u>1,289,893</u>	<u>1,365,497</u>
Total financial assets	26,972,537	32,791,729
Less those unavailable for general expenditures within one year, due to- Contractual or donor-imposed restrictions:		
Endowment funds	(1,024,087)	(1,100,196)
Restricted for acquisition of fixed assets or secure the future fund	(4,032,198)	(3,463,157)
Contractually restricted to fund reserves	(172,023)	(185,459)
Legally restricted deposits held in trust	<u>(1,483,243)</u>	<u>(1,601,790)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 20,260,986</u>	<u>\$ 26,441,127</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, 2022
 (With Comparative Totals for 2021)

	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 2022	Consolidated Total 2021
Assets												
Current Assets:												
Cash and cash equivalents	\$ 4,107,958	\$ 2,000	\$ 1,062,659	\$ 388,662	\$ 8,269	\$ 3,895	\$ 8,723	\$ 6,095	\$ 5,588,261	\$ -	\$ 5,588,261	\$ 16,156,672
Deposits held in trust	1,346,383			124,526	2,850	1,755	4,281	3,448	1,483,243		1,483,243	1,601,790
Accounts receivable, net	9,786,039			506	69	1,996	1,105		9,789,715	(575)	9,789,140	8,734,743
Grants and contracts receivable, net	6,049,758		117,150	72,260	1,801			2,628	6,243,597	(1,570,500)	4,673,097	1,377,848
Current portion of facility contribution receivable	193,178								193,178		193,178	187,476
Pledges receivable, net	14,700		29,750						44,450		44,450	156,100
Current portion of notes receivable	71,875								71,875	(71,875)		
Prepaid expenses and other current assets	1,203,524		26,912	3,493	810	65		678	1,235,482		1,235,482	831,959
Total Current Assets	22,773,415	2,000	1,236,471	589,447	13,799	7,711	14,109	12,849	24,649,801	(1,642,950)	23,006,851	29,046,588
Restricted deposits and funded reserves	3,027,220		18,036		58,944	58,861	32,420	14,298	3,209,779		3,209,779	2,337,606
Facility contribution receivable, less current portion												193,178
Pledges receivable, less current portion	889,674		5,000						894,674		894,674	1,061,473
Investments			265,806						265,806		265,806	265,301
Investments limited as to use	1,024,087								1,024,087		1,024,087	1,100,196
Beneficial interest in trust	16,258								16,258		16,258	14,266
Property and equipment, net	18,037,709	1,249,858	3,955,375	23,708,287	2,071,106	496,605	421,811	937,904	50,878,655		50,878,655	48,273,623
Notes receivable, less current portion	871,531								871,531	(871,531)		
Inter-agency accounts	806,429								806,429	(806,429)		
Total Assets	\$ 47,446,323	\$ 1,251,858	\$ 5,480,688	\$ 24,297,734	\$ 2,143,849	\$ 563,177	\$ 468,340	\$ 965,051	\$ 82,617,020	\$ (3,320,910)	\$ 79,296,110	\$ 82,292,231

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2022
(With Comparative Totals for 2021)**

	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 2022	Consolidated Total 2021
Liabilities, Net Assets and Equity												
Current Liabilities:												
Accounts payable	\$ 1,605,288	\$ -	\$ 122,990	\$ 1,582,928	\$ 315,082	\$ 112,907	\$ 96,529	\$ 201,848	\$ 4,037,572	\$ (2,197,805)	\$ 1,839,767	\$ 3,077,797
Accrued liabilities	4,558,020		2,575	162,673	392		4,723	2,682	4,731,065	(82,161)	4,648,904	5,321,212
Deferred revenue	1,010,467			25,470	2,459	318	2,468	1,383	1,042,565		1,042,565	2,285,473
Deposits held in trust	1,346,883			124,525	2,850	1,755	4,281	3,448	1,483,742		1,483,742	1,601,690
Current portion of capital lease obligations	179,922			388					180,310		180,310	510,312
Line of credit	5,000,000								5,000,000		5,000,000	5,000,000
Current portion of long-term debt	904,581		39,619	2,939,543			41,218	26,957	3,951,918		3,951,918	12,005,312
Total Current Liabilities	14,605,161		165,184	4,835,527	320,783	114,980	149,219	236,318	20,427,172	(2,279,966)	18,147,206	29,801,796
Capital lease obligations, less current portion	306,148			3,762					309,910		309,910	492,203
Deferred payroll taxes, less current portion												875,235
Long-term debt, less current portion	2,574,995		904,135	7,144,638	1,049,062	177,698	660,370	357,271	12,868,169	(939,571)	11,928,598	13,179,871
Total Liabilities	17,486,304		1,069,319	11,983,927	1,369,845	292,678	809,589	593,589	33,605,251	(3,219,537)	30,385,714	44,349,105
Net Assets and Equity:												
Without donor restrictions-												
Controlling interest	23,016,460	1,251,858	4,148,102			(56,571)	(341,249)	351,922	28,370,522	633,325	29,003,847	26,236,885
Noncontrolling interest										12,353,113	12,353,113	4,184,070
Total without donor restrictions	23,016,460	1,251,858	4,148,102			(56,571)	(341,249)	351,922	28,370,522	12,986,438	41,356,960	30,420,955
With donor restrictions	6,943,559		263,267			327,070		19,540	7,553,436		7,553,436	7,522,171
Total net assets	29,960,019	1,251,858	4,411,369			270,499	(341,249)	371,462	35,923,958	12,986,438	48,910,396	37,943,126
Owners' equity				12,313,807	774,004				13,087,811	(13,087,811)		
Total Net Assets and Equity	29,960,019	1,251,858	4,411,369	12,313,807	774,004	270,499	(341,249)	371,462	49,011,769	(101,373)	48,910,396	37,943,126
Total Liabilities, Net Assets and Equity	\$ 47,446,323	\$ 1,251,858	\$ 5,480,688	\$ 24,297,734	\$ 2,143,849	\$ 563,177	\$ 468,340	\$ 965,051	\$ 82,617,020	\$ (3,320,910)	\$ 79,296,110	\$ 82,292,231

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	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 2022	Consolidated Total 2021
Operating Activities												
Support and Revenue												
Without Donor Restrictions:												
Net patient service revenue	\$ 26,985,501	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,985,501	\$ -	\$ 26,985,501	\$ 26,075,031
Capitation revenue	32,470,708								32,470,708		32,470,708	31,486,257
Contributions and grants	11,305,547		1,027,638		41,625				12,374,810		12,374,810	10,026,726
Paycheck Protection Program loan forgiveness												3,719,693
In-kind contributions	374,833		89,645						464,478		464,478	101,631
Rental revenue	892,066	72,021	211,255	1,012,136	88,864	126,405	283,479	197,559	2,883,785	(119,207)	2,764,578	1,767,969
Consultation revenue	2,030,874								2,030,874	(2,041,115)	(10,241)	95,887
Other			3,793			4,692	2,175		10,660		10,660	29,789
Total Support and Revenue												
Without Donor Restrictions	74,059,529	72,021	1,332,331	1,012,136	130,489	131,097	285,654	197,559	77,220,816	(2,160,322)	75,060,494	73,302,983
Net assets released from restriction	483,947		223,666						707,613		707,613	708,489
Total Support, Revenue and Releases												
Without Donor Restrictions	74,543,476	72,021	1,555,997	1,012,136	130,489	131,097	285,654	197,559	77,928,429	(2,160,322)	75,768,107	74,011,472
Expenses:												
Program services-												
Crisis response	12,933,575	5,226							12,938,801	(21,145)	12,917,656	10,514,211
Mental health outpatient	23,031,688	121,538							23,153,226	(73,566)	23,079,660	21,960,919
Residential treatment	2,496,598	180							2,496,778		2,496,778	2,530,471
Housing	3,741,911	429		2,470,548	230,585	158,681	207,882	194,652	7,004,688	(1,640,825)	5,363,863	3,130,660
Inpatient	5,424,036	251							5,424,287		5,424,287	4,831,258
Intensive outpatient	10,496,058	27,348							10,523,406		10,523,406	10,521,804
Psychiatry	3,459,611	5,727							3,465,338		3,465,338	3,859,631
Other program services	1,702,730	1,701	1,174,639	9,865					2,888,935	(713,245)	2,175,690	2,739,813
Total program services	63,286,207	162,400	1,174,639	2,480,413	230,585	158,681	207,882	194,652	67,895,459	(2,448,781)	65,446,678	60,088,767
Supporting services-												
Management and general	8,375,061	10,592	78,801	203,582	58,642	63,335	91,482	71,106	8,952,601	(38,032)	8,914,569	7,365,107
Fundraising	1,229,109	1,395	148,981						1,379,485	(116,628)	1,262,857	1,023,468
Total supporting services	9,604,170	11,987	227,782	203,582	58,642	63,335	91,482	71,106	10,332,086	(154,660)	10,177,426	8,388,575
Total Expenses	72,890,377	174,387	1,402,421	2,683,995	289,227	222,016	299,364	265,758	78,227,545	(2,603,441)	75,624,104	68,477,342
Change in Net Assets Without Donor Restrictions From Operating Activities	1,653,099	(102,366)	153,576	(1,671,859)	(158,738)	(90,919)	(13,710)	(68,199)	(299,116)	443,119	144,003	5,534,130

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities (Continued)
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	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 2022	Consolidated Total 2021
Nonoperating Activities Without Donor Restrictions												
Dividends and interest	\$ 179,702	\$ 3	\$ -	\$ -	\$ 38	\$ -	\$ -	\$ 9	\$ 179,752	\$ -	\$ 179,752	\$ 42,400
Gain (loss) on disposal of fixed assets	340,289					(891)			339,398		339,398	(42,585)
Release of restricted net assets related to long-term assets	50,461		200,209			20,688		2,075	273,433		273,433	174,444
Change in Net Assets Without Donor Restrictions From Nonoperating Activities	570,452	3	200,209		38	19,797		2,084	792,583		792,583	174,259
Change in Net Assets Without Donor Restrictions	2,223,551	(102,363)	353,785	(1,671,859)	(158,700)	(71,122)	(13,710)	(66,115)	493,467	443,119	936,586	5,708,389
Net Asset With Donor Restrictions												
Contributions for program services	212,617		181,553						394,170		394,170	540,021
Contributions for acquisition of long-term assets	694,250								694,250		694,250	2,365,525
In-kind rent contribution												
Dividends, interest and fees	13,869								13,869		13,869	(27,370)
Unrealized investment (losses) gains	(89,978)								(89,978)		(89,978)	249,395
Release of restricted net assets	(534,408)		(423,875)			(20,688)		(2,075)	(981,046)		(981,046)	(882,933)
Change in Net Assets With Donor Restriction	296,350		(242,322)			(20,688)		(2,075)	31,265		31,265	2,244,638
Change in Net Assets Before Noncontrolling Interest	2,519,901	(102,363)	111,463	(1,671,859)	(158,700)	(91,810)	(13,710)	(68,190)	524,732	443,119	967,851	7,953,027
Noncontrolling interest in net losses of subsidiaries										1,830,376	1,830,376	314,055
Change in Net Assets Excluding Noncontrolling Interest	\$ 2,519,901	\$ (102,363)	\$ 111,463	\$ (1,671,859)	\$ (158,700)	\$ (91,810)	\$ (13,710)	\$ (68,190)	\$ 524,732	\$ 2,273,495	\$ 2,798,227	\$ 8,267,082

See independent auditor's report.