



COMPASS HEALTH AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2023

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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, 2023, 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, 2023, 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 (*Government Auditing Standards*). 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, Leases (*Topic 842*), and related ASUs, for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



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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.

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 34 to 37 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 November 16, 2023 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
November 16, 2023

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Financial Position June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,293,342	\$ 5,588,261
Deposits held in trust	1,524,372	1,483,243
Accounts receivable, net	9,071,592	9,789,140
Grants and contracts receivable, net of allowance for doubtful accounts of \$22,617 (\$36,918 - 2022)	862,896	4,673,097
Current portion of facility contribution receivable (Note 12)	181,942	193,178
Pledges receivable, current portion	273,030	44,450
Prepaid expenses and other current assets	902,618	1,235,482
Property held for sale	47,808	
Total Current Assets	18,157,600	23,006,851
Restricted deposits and funded reserves (Note 2)	3,744,369	3,209,779
Facility contribution receivable, less current portion (Note 12)	380,655	
Pledges receivable, less current portion and allowance for doubtful amounts of \$35,681 (\$30,949 - 2022)	926,012	894,674
Investments (Note 3)	266,292	265,806
Investments limited as to use (Notes 3 and 11)	1,011,656	1,024,087
Beneficial interest in trust	14,378	16,258
Right-of-use assets, operating (Note 12)	3,445,983	
Right-of-use assets, financing (Note 12)	227,835	
Property and equipment, net (Note 4)	52,020,664	50,878,655
Total Assets	\$ 80,195,444	\$ 79,296,110
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 3,157,831	\$ 1,839,767
Accrued liabilities	4,091,948	4,648,904
Deferred revenue	380,677	1,042,565
Deposits held in trust	1,522,243	1,483,742
Current portion of operating lease liabilities (Note 12)	287,476	
Current portion of financing lease liabilities (Note 12)	104,605	180,310
Line of credit (Note 7)	5,000,000	5,000,000
Current portion of long-term debt (Note 6)	1,934,374	3,951,918
Total Current Liabilities	16,479,154	18,147,206
Operating lease liabilities, less current portion (Note 12)	3,094,180	
Financing lease liabilities, less current portion (Note 12)	128,119	309,910
Long-term debt, less current portion (Note 6)	10,896,416	11,928,598
Total Liabilities	30,597,869	30,385,714
Net Assets:		
Without donor restrictions-		
Controlling interest	24,444,210	29,003,847
Noncontrolling interest	14,372,548	12,353,113
Total without donor restrictions	38,816,758	41,356,960
With donor restrictions (Note 8)	10,780,817	7,553,436
Total Net Assets	49,597,575	48,910,396
Total Liabilities and Net Assets	\$ 80,195,444	\$ 79,296,110

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	2023		Total	2022 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating Activities				
Support, Revenue and Gains:				
Net patient service revenue	\$ 29,817,872	\$ -	\$ 29,817,872	\$ 26,985,501
Capitation revenue	32,352,794		32,352,794	32,470,708
Contributions and grants	8,935,115	502,410	9,437,525	12,768,980
In-kind contributions	279,706	562,597	842,303	464,478
Rental revenue	3,132,889		3,132,889	2,764,578
Consultation revenue				(10,241)
Other	43,900		43,900	10,660
Total Operating Support, Revenue and Gains	74,562,276	1,065,007	75,627,283	75,454,664
Net assets released from restriction (Note 8)	635,301	(635,301)		
Total Operating Support, Revenue, Gains and Releases	75,197,577	429,706	75,627,283	75,454,664
Expenses:				
Program services-				
Crisis response	13,547,466		13,547,466	12,917,656
Mental health outpatient	24,889,339		24,889,339	23,079,660
Residential treatment	1,666,219		1,666,219	2,496,778
Housing	7,011,475		7,011,475	5,363,863
Inpatient	5,799,438		5,799,438	5,424,287
Intensive outpatient	11,249,211		11,249,211	10,523,406
Psychiatry	2,723,703		2,723,703	3,465,338
Other program services	2,129,554		2,129,554	2,175,690
Total program services	69,016,405		69,016,405	65,446,678
Supporting services-				
Management and general	10,717,570		10,717,570	8,914,569
Fundraising	1,488,997		1,488,997	1,262,857
Total supporting services	12,206,567		12,206,567	10,177,426
Total Operating Expenses	81,222,972		81,222,972	75,624,104
Change in Net Assets From Operating Activities	(6,025,395)	429,706	(5,595,689)	(169,440)

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023		Total	2022 Total
	Without Donor Restrictions	With Donor Restrictions		
Nonoperating Activities				
Dividends and interest	45,031	25,545	70,576	193,621
(Loss) Gain on disposal of fixed assets	(217,849)		(217,849)	339,398
Change in Net Assets From Nonoperating Activities	(172,818)	25,545	(147,273)	533,019
Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses				
	(6,198,213)	455,251	(5,742,962)	363,579
Contributions for acquisition of long-term assets		2,878,450	2,878,450	694,250
Unrealized investment losses		(37,976)	(37,976)	(89,978)
Release of restricted net assets related to long-term assets (Note 8)	68,344	(68,344)		
Total Change in Net Assets	(6,129,869)	3,227,381	(2,902,488)	967,851
Noncontrolling interest in net losses of subsidiaries	1,091,087		1,091,087	1,830,376
Total Change in Net Assets Excluding Noncontrolling Interest	\$ (5,038,782)	\$ 3,227,381	\$ (1,811,401)	\$ 2,798,227

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	Without Donor Restrictions			With Donor Restrictions	2023 Total	2022 Total
	Controlling Interest	Noncontrolling Interest	Total			
Beginning of year, net assets	\$ 29,003,847	\$ 12,353,113	\$ 41,356,960	\$ 7,553,436	\$ 48,910,396	\$ 37,943,126
Change in net assets excluding noncontrolling interest	(5,038,782)		(5,038,782)	3,227,381	(1,811,401)	2,798,227
Transfer of interests to controlling entity	479,145	(479,145)				
Change in net assets from noncontrolling interests-						
Noncontrolling interest						
in net losses of subsidiaries		(1,091,087)	(1,091,087)		(1,091,087)	(1,830,376)
Syndication costs						(72,188)
Partner contributions		3,589,667	3,589,667		3,589,667	10,071,607
Total change in net assets	(4,559,637)	2,019,435	(2,540,202)	3,227,381	687,179	10,967,270
End of Year, Net Assets	\$ 24,444,210	\$ 14,372,548	\$ 38,816,758	\$ 10,780,817	\$ 49,597,575	\$ 48,910,396

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	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	2023 Total	2022 Total
Salaries and wages	\$ 9,305,918	\$ 15,595,717	\$ 1,010,181	\$ 799,031	\$ 3,200,209	\$ 5,983,126	\$ 1,417,198	\$ 1,120,406	\$ 38,431,786	\$ 4,943,617	\$ 569,188	\$ 5,512,805	\$ 43,944,591	\$ 42,566,203
Pension plan contributions	385,197	624,842	39,663	23,631	124,348	246,627	54,545	50,771	1,549,624	217,731	24,699	242,430	1,792,054	1,715,247
Employee benefits	1,210,563	2,742,184	177,950	163,771	442,448	1,179,044	178,834	158,028	6,252,822	692,885	81,377	774,262	7,027,084	7,226,857
Payroll taxes	794,449	1,341,384	90,113	74,650	284,890	530,456	111,419	98,265	3,325,626	393,328	48,136	441,464	3,767,090	3,608,556
Total Salaries and Related Expenses	11,696,127	20,304,127	1,317,907	1,061,083	4,051,895	7,939,253	1,761,996	1,427,470	49,559,858	6,247,561	723,400	6,970,961	56,530,819	55,116,863
Occupancy	757,289	1,542,498	124,140	2,304,613	210,984	681,013	117,144	151,578	5,889,259	559,934	25,032	584,966	6,474,225	5,743,586
Other professional fees	91,636	977,170	32,375	676,274	1,006,444	1,208,231	689,338	149,933	4,831,401	929,004	385,943	1,314,947	6,146,348	4,176,080
Office expenses	405,485	586,469	100,586	106,156	197,974	303,620	48,347	108,948	1,857,585	616,350	78,045	694,395	2,551,980	2,297,757
Depreciation and amortization	185,765	409,319	29,448	1,504,345	58,392	256,993	30,081	126,084	2,600,427	354,949	9,742	364,691	2,965,118	2,931,908
Client assistance	4,193	28,830	2,353	870,304	11,856	124,672	3,674	3,674	1,045,882	5,527	5,527	5,527	1,051,409	647,250
Travel	50,933	138,339	1,786	15,457	898	194,681	6,612	8,207	416,913	29,045	10,324	39,369	456,282	377,430
Insurance	299,430	633,093	36,470	567	112,618	394,460	48,848	11,429	1,536,915	178,680	200	178,880	1,715,795	1,626,276
Miscellaneous	53,944	101,192	13,551	31,128	19,998	42,245	5,558	92,273	359,889	238,016	206,532	444,548	804,437	799,186
Accounting fees	36,222	76,347	4,437	1,905	13,728	46,873	5,973	4,988	190,473	239,984	2,368	242,352	432,825	465,014
Interest	4,562	46,891	131	314,531	705	2,554	1,849	30,168	401,391	453,056	568	453,624	855,015	738,478
Bad debt	(59,445)	(7,709)		118,627	200	18,092		2,132	71,897	45,453		45,453	117,350	37,848
Conferences, conventions and meetings	18,611	55,860	2,642	1,886	8,455	25,327	8,765	8,356	129,902	75,371	3,495	78,866	208,768	166,952
Employee recruitment									238,760	238,760		238,760	238,760	155,846
Legal fees				3,512	106,882				110,394	477,196		477,196	587,590	253,965
Information technology	2,714	(3,172)	393	1,087	(1,591)	11,197	(808)	247	10,067	13,052	159	13,211	23,278	56,405
Advertising and marketing		85						4,067	4,152	15,632	43,189	58,821	62,973	33,260
Total Operating Expenses	\$ 13,547,466	\$ 24,889,339	\$ 1,666,219	\$ 7,011,475	\$ 5,799,438	\$ 11,249,211	\$ 2,723,703	\$ 2,129,554	\$ 69,016,405	\$ 10,717,570	\$ 1,488,997	\$ 12,206,567	\$ 81,222,972	\$ 75,624,104

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Cash Flows For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	\$ 687,179	\$ 10,967,270
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Depreciation and amortization	2,965,118	2,931,908
Debt issuance costs amortization	26,681	7,873
Facility contribution receivable	(369,419)	187,476
Realized and unrealized investment losses	37,976	89,978
Capital contribution from noncontrolling interest	(3,589,667)	(10,071,607)
Syndication costs		72,188
Noncash lease expense, operating	739,496	
Contributions for acquisition of long-term assets	(2,878,450)	(694,250)
Loss (gain) on disposal of fixed assets	217,849	(339,398)
Changes in assets and liabilities:		
Accounts receivable	717,548	(1,054,397)
Grants and contracts receivable	3,810,201	(3,295,249)
Pledges and other receivables	(223,580)	87,090
Prepaid expenses and other assets	334,744	(405,515)
Payments on operating lease liabilities	(803,823)	
Accounts payable, accrued liabilities and deferred payroll taxes	768,254	(1,906,999)
Deferred revenue	(661,888)	(1,242,908)
Net Cash Provided (Used) by Operating Activities	1,778,219	(4,666,540)
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(4,727,848)	(6,621,564)
Proceeds from sale of fixed assets		427,500
Purchases of investments	(8,212,376)	(8,485,595)
Proceeds from sale of investments	8,186,345	8,471,221
Net Cash Used by Investing Activities	(4,753,879)	(6,208,438)
Cash Flows From Financing Activities:		
Capital contribution from noncontrolling interest	3,589,667	10,071,607
Payment of syndication costs		(72,188)
Proceeds from capital lease obligations		8,520
Repayment of capital lease obligations		(520,815)
Proceeds from issuance of long-term debt	538,628	1,603,019
Debt issuance costs		(246,700)
Cash collected on contributions for acquisition of long-term assets	2,842,112	885,609
Principal payments on long-term debt	(3,615,035)	(10,668,859)
Payments on financing lease liabilities	(98,912)	
Net Cash Provided by Financing Activities	3,256,460	1,060,193
Change in Cash, Cash Equivalents and Restricted Cash	280,800	(9,814,785)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	10,281,283	20,096,068
End of Year	\$ 10,562,083	\$ 10,281,283
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	\$ 5,293,342	\$ 5,588,261
Deposits held in trust	1,524,372	1,483,243
Restricted deposits and funded reserves	3,744,369	3,209,779
Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows	\$ 10,562,083	\$ 10,281,283
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 816,702	\$ 737,774
Fixed asset purchases included in accounts payable at year end	\$ 33,755	\$ 160,984

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

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, 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. Effective December 31, 2022, the investor member exited the MPA, LP and their interests were transferred to Compass Health.

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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

Harmony House North Association (Harmony House) was incorporated in November 1990 as a Washington not-for-profit corporation. Harmony House developed and built Harmony House North (the Project), a 15-unit apartment complex located in Marysville, Washington. The Project provides affordable housing to chronically mentally ill tenants. As Compass Health is the sole corporate member, 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. Effective November, 2021, BHN changed their business name to Fourfront Contributor (FC). Compass Health and three other not-for-profit organizations have equal membership rights to FC. As such, FC has not been consolidated with Compass Health for the years ended June 30, 2023 and 2022. As of and during the year ended June 30, 2023, the Organization had \$216,945 due from FC and recognized \$859,544 in revenue from contracts with FC, respectively.

At June 30, 2023 noncontrolling interest presented in the consolidated financial statements is comprised of the ownership interest of members and partners related to 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. Effective May 1, 2023, the Organization operates one 16 bed triage facility.

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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.

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, 2023, the Organization had 13 housing units; 239 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. 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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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.

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, 2022, 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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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 \$74,000 at June 30, 2023. Pledges receivable due within one year of \$383,500 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.

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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).

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

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, 2023 and 2022 management has estimated an allowance of \$1,648,285 and \$1,059,395, respectively, to reduce gross accounts receivable for balances expected to be uncollected due to implicit price discounts, contractual adjustment and bad debts.

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 at June 30, 2023 was approximately \$25,097,000, of which \$23,300,000 were related the Compass Health Broadway project (see Note 14). The amount of unrecognized unconditional grants at June 30, 2022 was approximately \$2,517,000. 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 were included in deferred revenue in the statement of financial position. During the year ended June 30, 2023, management determined that the barriers to entitlement of the funds were met and revenue of approximately \$600,000 was recognized and included in contributions and grants revenue in the statement of activities.

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, 2023 and 2022.

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, 2023 and 2022, revenues related to contracts with NSBHASO and Managed Care Organizations accounted for approximately 84% of total operating support, revenue and gains.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

Note 1 - Continued

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:

	2023	2022
Managed care organizations	73%	72%
NSBHASO	18%	19%
Other third party payors	9%	9%
	100%	100%

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.

Collective Bargaining - The Organization has negotiated a collective bargaining agreement (the Agreement) with the Service Employees International Union 1199NW which expired on March 31, 2023. The Organization is operating off of the expired agreement until a new agreement is executed. Approximately 58% and 59% of the Organization’s employees are covered under the Agreement during the years ended June 30, 2023 and 2022, 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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

Right-of-Use (ROU) Assets and Lease Liabilities - Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (*Topic 842*) (ACS Topic 842). The Organization has elected the package of transitional practice expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Organization did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Company recognized on July 1, 2022 (a) an operating lease liability of \$3,228,914 and (b) a right-of-use asset of \$3,228,914.

The Organization follows the guidance in FASB's Accounting Standards Codification Topic 842 Leases in accounting for its lease contracts. The Organization determines if an arrangement is a lease at inception. Operating and financing leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. If the Organization's leases do not provide an implicit rate of return, the Organization uses the risk-free discount rate, determined using a period comparable with that of the lease term from the lease commencement date. For operating leases, ROU assets are reduced over the lease term by the recognized straight-line lease expense less the amount of accretion of the lease liability determined using the effective interest method. For finance leases, ROU assets are amortized on a straight-line basis over the shorter of the useful life of the leased asset or the lease term. Interest expense on each finance lease liability is recognized utilizing the effective interest method. ROU assets are tested for impairment in the same manner as long-lived assets. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less.

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>2023</u>	<u>2022</u>
Operating reserves	\$ 316,703	\$ 19,006
Capital reserves	238,520	145,517
Cash restricted for the acquisition of long-term assets	3,181,646	3,037,756
Debt reserve	<u>7,500</u>	<u>7,500</u>
Total Restricted Deposits and Funded Reserves	<u>\$ 3,744,369</u>	<u>\$ 3,209,779</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

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 holds equity mutual funds and exchange traded funds which are Level 1 financial assets and liabilities in its portfolio. 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, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Investments	\$ 266,292	\$ 265,806
Investments limited as to use	<u>1,011,656</u>	<u>1,024,087</u>
	<u>\$ 1,277,948</u>	<u>\$ 1,289,893</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 4 - Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	\$ 4,685,103	\$ 4,729,103
Projects in progress	6,052,567	3,444,051
Leasehold improvements	5,261,025	4,704,895
Buildings and improvements	54,178,209	55,009,474
Furniture and equipment	6,583,597	7,106,752
Vehicles	<u>283,997</u>	<u>245,830</u>
	77,044,498	75,240,105
Less accumulated depreciation	<u>(25,023,834)</u>	<u>(24,361,450)</u>
Total Property and Equipment, Net	<u>\$ 52,020,664</u>	<u>\$ 50,878,655</u>

Projects in progress at June 30, 2023 and 2022, consisted of the Broadway Campus redevelopment project and various building improvement projects.

For the years ended June 30, 2023 and 2022, depreciation expense was \$2,947,797 and \$2,931,908 respectively.

During 2023, the Organization placed real property located in Monroe Washington up for sale at a list price of \$800,000. The property is held on the books of the Organization at the net book value of \$47,808 as of June 30, 2023.

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 \$47,694 and \$33,400 which are included in accrued liabilities in the consolidated statement of financial position at June 30, 2023 and 2022, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 6 - Long-Term Debt

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

	<u>2023</u>	<u>2022</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. The Organization was not in compliance with a certain financial covenant included in the loan agreement at June 30, 2023, correspondingly, the debt has been presented and disclosed as a current liability.	\$ 915,192	\$ 933,358
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, 2023, was 7.3% and \$3,492, respectively. The note matures November 27, 2023 and is collateralized by the Alder Commons property.	336,883	352,484
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.	339,664	352,132
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.	203,963	210,803
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.	193,309	199,916
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.	129,488	131,674

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 6 - Continued

	<u>2023</u>	<u>2022</u>
<u>Compass Health (Continued):</u>		
Note payable to a bank in monthly payments of \$1,337, including interest at a variable rate (8.20% at June 30, 2023). The note matures April 2029. Collateralized by the 3645 E McLeod Rd, Bellingham, WA property.	82,960	94,599
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, 2023 and the note was repaid upon maturity, subsequent to year end.	616,874	1,111,066
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.	4,559,720	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, 2023 (With Comparative Totals for 2022)

Note 6 - Continued

	<u>2023</u>	<u>2022</u>
<u>Compass Health Broadway (Continued):</u>		
Note payable to Key Bank for construction financing. Interest accrues at the Adjusted Daily LIBOR rate (2.7% at June 30, 2022) and is paid monthly. The note is secured by the 3301 Lombard Ave, Everett, WA real property. During the year ended June 30, 2023, the note was repaid in full.		2,939,543
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.	1,755,249	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.	911,305	950,925
<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.	357,271	384,228

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 6 - Continued

	<u>2023</u>	<u>2022</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.	588,496	629,713
Total debt obligations	13,089,643	16,166,051
Less unamortized debt issuance costs	(258,853)	(285,535)
Less current portion	<u>(1,934,374)</u>	<u>(3,951,918)</u>
Total Debt, Net of Current Portion	<u>\$ 10,896,416</u>	<u>\$ 11,928,598</u>

Principal maturities of long-term debt are as follows:

For the Year Ending June 30,

2024	\$ 1,934,374
2025	435,638
2026	168,263
2027	918,047
2028	143,540
Thereafter	<u>9,489,781</u>
	<u>\$ 13,089,643</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 - Lines 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 0.75% or 5% (7% as of June 30, 2023). The line is secured by the federal avenue property, equipment and accounts receivable of the Organization. The outstanding balance on the line of credit was \$5,000,000 at June 30, 2023 and 2022, respectively. The line of credit matures in August 2024.

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 0.75% or 5% (9% as of June 30, 2023). 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, 2023 or 2022. The line of credit matures in July 2024.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

Note 8 - Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to passage of time or expenditure for a specified purpose-		
Operating:		
Restricted for program services	\$ 840,364	\$ 895,128
Time restricted	214,330	71,312
Time restricted endowment accumulated earnings (Note 11)	725,168	737,599
Facility contribution receivable (Note 12)	562,597	193,178
Nonoperating:		
Secure the future	18,036	18,036
Acquisition of long-term assets	6,897,612	4,014,162
Forgivable loans (Note 9)	<u>1,236,222</u>	<u>1,337,533</u>
	10,494,329	7,266,948
Endowment corpus (Note 11)	<u>286,488</u>	<u>286,488</u>
Total Net Assets With Donor Restrictions	<u>\$ 10,780,817</u>	<u>\$ 7,553,436</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>2023</u>	<u>2022</u>
Operating-		
Released for program expenses	\$ 404,056	\$ 443,781
Time restricted	61,312	67,500
Facility contribution receivable (Note 12)	<u>169,933</u>	<u>196,332</u>
Net Assets Released (Operating)	<u>\$ 635,301</u>	<u>\$ 707,613</u>
Nonoperating-		
Acquisition of fixed assets	\$ -	\$ 200,209
Amortization of forgivable loans	<u>68,344</u>	<u>73,224</u>
Net Assets Released (Nonoperating)	<u>\$ 68,344</u>	<u>\$ 273,433</u>

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 9 - Forgivable Loans

The Organization received cumulative forgivable loan proceeds of \$2,800,900 through the year ended June 30, 2023. 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 8). 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, 2023, the Organization is in compliance with the restrictions.

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

	<u>2023</u>	<u>2022</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.	\$ 358,183	\$ 375,253
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.	266,175	285,188
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.	105,000	109,000
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.	103,735	106,870

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 9 - Continued

	<u>2023</u>	<u>2022</u>
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.	51,162	61,064
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.	83,551	86,077
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.	61,656	63,520
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. This note became due during the year ending June 30, 2023 and the note was repaid in full.		32,967
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.	43,909	45,181
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.	41,354	42,944
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.	40,208	41,884

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 9 - Continued

	<u>2023</u>	<u>2022</u>
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.	29,618	32,373
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.	34,206	35,672
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.	17,465	19,540
	<u>\$ 1,236,222</u>	<u>\$ 1,337,533</u>

Note 10 - 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 \$1,774,196 and \$1,715,247 for the years ended June 30, 2023 and 2022, respectively.

Note 11 - 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, 2023 and 2022.

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, 2023 (With Comparative Totals for 2022)

Note 11 - 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, 2023 and 2022, 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		2023 Total	2022 Total
		Accumulated Earnings	Endowment Corpus		
Endowment to fund operating reserves	\$ -	\$ 725,168	\$ 286,488	\$1,011,656	\$1,024,087

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 11 - Continued

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

	Net Assets	Net Assets With Donor Restrictions		2023 Total	2022 Total
	Without Donor Restrictions	Accumulated Earnings	Endowment Corpus		
Endowment net assets beginning of year	\$ -	\$ 737,599	\$ 286,488	\$ 1,024,087	\$ 1,100,196
Investment returns		(12,431)		(12,431)	(76,109)
Endowment Net Assets, End of Year	\$ -	\$ 725,168	\$ 286,488	\$1,011,656	\$1,024,087

Note 12 - Operating and Financing Leases

The Organization leases facility space and equipment under long-term, noncancelable lease agreements which expire at various dates through December 2030. Additionally, the leases include payments for common area maintenance, utilities, taxes and insurance that are considered variable lease payments and are excluded from determining the lease liability.

The components of lease expense for the year ended June 30, 2023 are as follows:

Finance lease cost-	
Amortization of right-of-use assets	\$ 104,289
Interest on lease liabilities	15,472
Operating lease cost	739,496
Variable lease cost	117,558
Short-term and other lease costs	108,735
Total Leasing Expense	\$ 1,085,550

Amortization of finance right-of-use assets are included as a component of depreciation expense.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 12 - Continued

Supplemental cash flow information related to leases as of June 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 750,403
Operating cash flows from finance leases	\$ 14,298
Financing cash flows from finance leases	\$ 100,085
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 331,637
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 4,647,415
Weighted-average remaining lease term - operating lease	4.9 years
Weighted-average remaining lease term - finance lease	2.5 years
Weighted-average discount rate - operating lease	2.9%
Weighted-average discount rate - finance lease	6.7%

Future minimum payments required under leases are as follows as of June 30, 2023:

For the Year Ending June 30,	Finance	Operating
2024	\$ 116,067	\$ 992,861
2025	81,948	942,242
2026	43,223	781,269
2027	10,107	771,728
2028	3,406	323,662
Thereafter	463,996	463,996
Total undiscounted cash flows	254,751	4,275,758
Less tenant improvement allowance receivable		(604,395)
Less present value discount	(22,027)	(289,707)
Total Lease Liabilities	\$ 232,724	\$ 3,381,656

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. The option to renew was executed during the year ended June 30, 2023. 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, 2023 and 2022 was \$562,597 and \$193,178, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 13 - 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).

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,293,342	\$ 5,588,261
Deposits held in trust	1,524,372	1,483,243
Accounts receivable	9,071,592	9,789,140
Grants and contracts receivable, net of allowance	862,896	4,673,097
Pledges receivable, net of allowance	1,199,042	939,124
Restricted deposits and funded reserves	3,744,369	3,209,779
Investments	<u>1,277,948</u>	<u>1,289,893</u>
Total financial assets	22,973,561	26,972,537
Less those unavailable for general expenditures within one year, due to-		
Contractual or donor-imposed restrictions:		
Endowment funds	(1,011,656)	(1,024,087)
Restricted for acquisition of fixed assets or secure the future fund	(6,915,648)	(4,032,198)
Plus amounts disbursed for acquisition of fixed assets	2,807,990	
Contractually restricted to fund reserves	(562,723)	(172,023)
Legally restricted deposits held in trust	<u>(1,524,372)</u>	<u>(1,483,243)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 15,767,152</u>	<u>\$ 20,260,986</u>

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

Note 14 - Subsequent Events and Commitments

The Organization has evaluated subsequent events through November 16, 2023, which is the date the consolidated financial statements were available to be issued, and has determined that, except as noted below, there are no subsequent events that require recognition or additional disclosure.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 14 - Continued

During the year ended June 30, 2023, Compass Health formed Compass Health Broadway QALICB, a Washington nonprofit corporation organized for the purpose of supporting Compass Health by participating in the construction and development of a new crisis facility (the Project). Subsequent to June 30, 2023, the Organization entered into a New Market Tax Credit (NMTC) transaction to finance the Project. As part of the transaction the Organization entered into debt financing arrangements with two banks to receive bridge loans with proceeds of \$18,947,889 and \$3,884,811. Compass Health utilized the proceeds to make a loan to Chase NMTC Compass Health Investment Fund, LLC. Under the NMTC structure, Compass Health Broadway QALICB then received debt financing of \$15,360,000 from LCD New Markets Funding XXXIX, LLC, \$2,000,000 from CNMC Sub-CDE 236, LLC and \$14,475,000 from Catalyst CDE-31, LLC. Compass Health Broadway QALICB then paid \$3,884,811 to Compass Health in exchange for construction in progress assets associated with the Project, the proceeds of which was utilized to repay the \$3,884,811 bridge loan. As a result of the transaction, Compass Health recognized a note receivable from Chase NMTC Compass Health Investment Fund of \$28,832,700. The note requires quarterly interest only payments at 1.39% through September 30, 2030. After which the note requires payment of principal and interest of \$254,695 with the remaining balance due upon maturity on September 15, 2057. In addition, the Organization has a remaining source loan promissory note due to Capital Impact Partners for \$18,947,889. The terms of the note require payments of the note as state grant funds received for the Project are advanced by the State of Washington. The note bears interest at 7.52% of the principal balance outstanding of the note with interest payments due quarterly. Any remaining principal balance due on the note is due upon maturity on September 15, 2025.

As of June 30, 2023, Compass Health had included in projects in process approximately \$3,492,000 of costs associated with the development of the Project. Further, Compass Health and Compass Health Broadway QALICB has received committed debt financing totaling of approximately \$36,000,000, received notifications that they will receive grants from governmental agencies of approximately \$27,000,000 and have committed pledges and cash received for the Project of approximately \$4,000,000. The cost of the Project is expected to total approximately \$68,000,000. Compass Health had entered into a contract with the general contractor for the Project with a total value of approximately \$47,000,000.

SUPPLEMENTARY INFORMATION

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets
June 30, 2023
(With Comparative Totals for 2022)

	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	Compass Health Housing Services	Subtotal	Eliminations	Consolidated Total 2023	Consolidated Total 2022
Assets													
Current Assets:													
Cash and cash equivalents	\$ 4,062,513	\$ 2,005	\$ 1,046,053	\$ 164,764	\$ 4,981	\$ 2,965	\$ 1,616	\$ 4,599	\$ 3,846	\$ 5,293,342	\$ -	\$ 5,293,342	\$ 5,588,261
Deposits held in trust	1,394,681			118,155	2,450	1,755	3,860	3,471		1,524,372		1,524,372	1,483,243
Accounts receivable, net	9,050,047			13,709		6,204	1,632			9,071,592		9,071,592	9,789,140
Grants and contracts receivable, net	1,013,986		116,209	40,824	4,215			2,591		1,177,825	(314,929)	862,896	4,673,097
Current portion of facility contribution receivable	181,942									181,942		181,942	193,178
Pledges receivable, net	74,000		199,030							273,030		273,030	44,450
Current portion of notes receivable	71,875									71,875	(71,875)		
Prepaid expenses and other current assets	855,955		40,117	4,538	827	384	220	577		902,618		902,618	1,235,482
Property held for sale		47,808								47,808		47,808	
Total Current Assets	16,704,999	49,813	1,401,409	341,990	12,473	11,308	7,328	11,238	3,846	18,544,404	(386,804)	18,157,600	23,006,851
Restricted deposits and funded reserves	3,166,110		23,036	341,149	66,993	75,537	48,547	22,997		3,744,369		3,744,369	3,209,779
Facility contribution receivable, less current portion	380,655									380,655		380,655	
Pledges receivable, less current portion	926,012									926,012		926,012	894,674
Investments			266,292							266,292		266,292	265,806
Investments limited as to use	1,011,656									1,011,656		1,011,656	1,024,087
Beneficial interest in trust	14,378									14,378		14,378	16,258
Right-of-use assets, operating	3,445,983									3,445,983		3,445,983	
Right-of-use assets, financing	227,835									227,835		227,835	
Property and equipment, net	20,187,107	1,130,239	3,996,986	22,902,649	1,992,810	469,150	420,747	920,976		52,020,664		52,020,664	50,878,655
Notes receivable, less current portion	870,781									870,781	(870,781)		
Inter-agency accounts	947,054									947,054	(947,054)		
Total Assets	\$47,882,570	\$1,180,052	\$ 5,687,723	\$23,585,788	\$2,072,276	\$ 555,995	\$ 476,622	\$ 955,211	\$ 3,846	\$82,400,083	\$ (2,204,639)	\$80,195,444	\$79,296,110

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Financial Position – Liabilities and Net Assets
June 30, 2023
(With Comparative Totals for 2022)**

	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	Compass Health Housing Services	Subtotal	Eliminations	Consolidated Total 2023	Consolidated Total 2022
Liabilities, Net Assets and Equity													
Current Liabilities:													
Accounts payable	\$ 2,866,551	\$ -	\$ 116,943	\$ 290,393	\$ 436,795	\$ 131,178	\$ 183,806	\$ 221,764	\$ 3,174	\$ 4,250,604	\$ (1,092,773)	\$ 3,157,831	\$ 1,839,767
Accrued liabilities	3,897,705		2,468	302,347	423		4,414	2,493		4,209,850	(117,902)	4,091,948	4,648,904
Deferred revenue	351,902			24,770	2,124	31	1,628	222		380,677		380,677	1,042,565
Deposits held in trust	1,394,331			116,690	2,450	1,755	3,546	3,471		1,522,243		1,522,243	1,483,742
Current portion of operating lease liabilities	287,476									287,476		287,476	
Current portion of financing lease liabilities	104,605									104,605		104,605	180,310
Line of credit	5,000,000									5,000,000		5,000,000	5,000,000
Current portion of long-term debt	1,819,122		40,864				45,085	29,303		1,934,374		1,934,374	3,951,918
Total Current Liabilities	15,721,692		160,275	734,200	441,792	132,964	238,479	257,253	3,174	17,689,829	(1,210,675)	16,479,154	18,147,206
Operating lease liabilities, less current portion	3,094,180									3,094,180		3,094,180	
Financing lease liabilities, less current portion	128,119									128,119		128,119	309,910
Long-term debt, less current portion	1,094,026		866,139	7,703,394	1,051,476	177,698	615,286	327,968		11,835,987	(939,571)	10,896,416	11,928,598
Total Liabilities	20,038,017		1,026,414	8,437,594	1,493,268	310,662	853,765	585,221	3,174	32,748,115	(2,150,246)	30,597,869	30,385,714
Net Assets and Equity:													
Without donor restrictions-													
Controlling interest	17,811,098	1,180,052	4,237,794			(61,049)	(377,143)	352,525	672	23,143,949	1,300,261	24,444,210	29,003,847
Noncontrolling interest											14,372,548	14,372,548	12,353,113
Total without donor restrictions	17,811,098	1,180,052	4,237,794			(61,049)	(377,143)	352,525	672	23,143,949	15,672,809	38,816,758	41,356,960
With donor restrictions	10,033,455		423,515			306,382		17,465		10,780,817		10,780,817	7,553,436
Total net assets	27,844,553	1,180,052	4,661,309			245,333	(377,143)	369,990	672	33,924,766	15,672,809	49,597,575	48,910,396
Owners' equity				15,148,194	579,008					15,727,202	(15,727,202)		
Total Net Assets and Equity	27,844,553	1,180,052	4,661,309	15,148,194	579,008	245,333	(377,143)	369,990	672	49,651,968	(54,393)	49,597,575	48,910,396
Total Liabilities, Net Assets and Equity	\$47,882,570	\$1,180,052	\$ 5,687,723	\$23,585,788	\$2,072,276	\$ 555,995	\$ 476,622	\$ 955,211	\$ 3,846	\$82,400,083	\$ (2,204,639)	\$80,195,444	\$79,296,110

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Activities
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	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	Compass Health Housing Services	Subtotal	Eliminations	Consolidated Total 2023	Consolidated Total 2022
Operating Activities													
Support and Revenue Without Donor Restrictions:													
Net patient service revenue	\$ 29,817,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 672	\$ 29,817,872	\$ -	\$ 29,817,872	\$ 26,985,501
Capitation revenue	32,352,794									32,352,794		32,352,794	32,470,708
Contributions and grants	7,750,177		1,143,313		41,625					8,935,115		8,935,115	12,374,810
In-kind contributions	198,841		80,865							279,706		279,706	464,478
Rental revenue	889,654		217,111	1,335,376	111,547	131,174	288,659	212,256		3,185,777	(52,888)	3,132,889	2,764,578
Consultation revenue	1,231,546									1,231,546	(1,231,546)		(10,241)
Other			43,515			176	209			43,900		43,900	10,660
Total Support and Revenue Without Donor Restrictions	72,240,212		1,484,804	1,335,376	153,172	131,350	288,868	212,256	672	75,846,710	(1,284,434)	74,562,276	75,060,494
Net assets released from restriction	475,236		160,065							635,301		635,301	707,613
Total Support, Revenue and Releases Without Donor Restrictions	72,715,448		1,644,869	1,335,376	153,172	131,350	288,868	212,256	672	76,482,011	(1,284,434)	75,197,577	75,768,107
Expenses:													
Program services-													
Crisis response	13,546,869	597								13,547,466		13,547,466	12,917,656
Mental health outpatient	24,876,850	29,874								24,906,724	(17,385)	24,889,339	23,079,660
Residential treatment	1,666,143	76								1,666,219		1,666,219	2,496,778
Housing	5,013,674	372		2,109,892	330,133	94,001	247,631	155,150		7,950,853	(939,378)	7,011,475	5,363,863
Inpatient	5,799,207	231								5,799,438		5,799,438	5,424,287
Intensive outpatient	11,226,746	22,465								11,249,211		11,249,211	10,523,406
Psychiatry	2,720,691	3,012								2,723,703		2,723,703	3,465,338
Other program services	1,250,940	1,288	1,251,822	25,993						2,530,043	(400,489)	2,129,554	2,175,690
Total program services	66,101,120	57,915	1,251,822	2,135,885	330,133	94,001	247,631	155,150		70,373,657	(1,357,252)	69,016,405	65,446,678
Supporting services-													
Management and general	10,365,688	12,744	77,339	95,810	18,181	62,504	77,131	58,616		10,768,013	(50,443)	10,717,570	8,914,569
Fundraising	1,326,500	1,151	226,016							1,553,667	(64,670)	1,488,997	1,262,857
Total supporting services	11,692,188	13,895	303,355	95,810	18,181	62,504	77,131	58,616		12,321,680	(115,113)	12,206,567	10,177,426
Total Expenses	77,793,308	71,810	1,555,177	2,231,695	348,314	156,505	324,762	213,766		82,695,337	(1,472,365)	81,222,972	75,624,104
Change in Net Assets Without Donor Restrictions From Operating Activities	(5,077,860)	(71,810)	89,692	(896,319)	(195,142)	(25,155)	(35,894)	(1,510)	672	(6,213,326)	187,931	(6,025,395)	144,003

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidating Statement of Activities (Continued)
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	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	Compass Health Housing Services	Subtotal	Eliminations	Consolidated Total 2023	Consolidated Total 2022
Nonoperating Activities Without Donor Restrictions													
Dividends and interest	\$ 44,755	\$ 4	\$ -	\$ 119	\$ 146	\$ -	\$ -	\$ 38	\$ -	\$ 45,062	\$ (31)	\$ 45,031	\$ 179,752
(Loss) gain on disposal of fixed assets	(217,838)					(11)				(217,849)		(217,849)	339,398
Release of restricted net assets related to long-term assets	45,581					20,688		2,075		68,344		68,344	273,433
Change in Net Assets Without Donor Restrictions From Nonoperating Activities	(127,502)	4		119	146	20,677		2,113		(104,443)	(31)	(104,474)	792,583
Change in Net Assets Without Donor Restrictions	(5,205,362)	(71,806)	89,692	(896,200)	(194,996)	(4,478)	(35,894)	603	672	(6,317,769)	187,900	(6,129,869)	936,586
Net Asset With Donor Restrictions													
Contributions for program services	182,097		320,313							502,410		502,410	394,170
Contributions for acquisition of long-term assets	2,878,450									2,878,450		2,878,450	694,250
In-kind rent contribution	562,597									562,597		562,597	
Dividends, interest and fees	25,545									25,545		25,545	13,869
Unrealized investment losses	(37,976)									(37,976)		(37,976)	(89,978)
Release of restricted net assets	(520,817)		(160,065)			(20,688)		(2,075)		(703,645)		(703,645)	(981,046)
Change in Net Assets With Donor Restriction	3,089,896		160,248			(20,688)		(2,075)		3,227,381		3,227,381	31,265
Change in Net Assets Before Noncontrolling Interest	(2,115,466)	(71,806)	249,940	(896,200)	(194,996)	(25,166)	(35,894)	(1,472)	672	(3,090,388)	187,900	(2,902,488)	967,851
Noncontrolling interest in net losses of subsidiaries											1,091,087	1,091,087	1,830,376
Change in Net Assets Excluding Noncontrolling Interest	\$ (2,115,466)	\$ (71,806)	\$ 249,940	\$ (896,200)	\$ (194,996)	\$ (25,166)	\$ (35,894)	\$ (1,472)	\$ 672	\$ (3,090,388)	\$ 1,278,987	\$ (1,811,401)	\$ 2,798,227

See independent auditor's report.