

VALLEYWISE HEALTH FOUNDATION

Financial Statements

December 31, 2022

(With Summarized Information for the Year Ended December 31, 2021)



VALLEYWISE HEALTH FOUNDATION
Table of Contents
December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

| | PAGE |
|----------------------------------|-------------|
| Independent Auditors' Report | 1 |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Valleywise Health Foundation

Opinion

We have audited the accompanying financial statements of Valleywise Health Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valleywise Health Foundation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Valleywise Health Foundation 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.

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 Valleywise Health Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

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 generally accepted 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, including omissions, 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 generally accepted 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 Valleywise Health Foundation'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 Valleywise Health Foundation'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.

Report on Summarized Comparative Information

We have previously audited the Valleywise Health Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Metz & Associates PLLC".

Phoenix, Arizona
April 17, 2023

VALLEYWISE HEALTH FOUNDATION
Statement of Financial Position
December 31, 2022
(With Comparative Information for the Year Ended December 31, 2021)

| ASSETS | <u>2022</u> | <u>2021</u> |
|-------------------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 4,016,403 | \$ 4,399,581 |
| Investments | 1,420,809 | 1,964,282 |
| Contributions and grants receivable | 338,153 | 575,380 |
| Pledges receivable | 617,500 | 0 |
| Operating lease right-of-use assets | 58,648 | 0 |
| Prepaid expenses | <u>21,448</u> | <u>37,465</u> |
| TOTAL CURRENT ASSETS | 6,472,961 | 6,976,708 |
| PROPERTY AND EQUIPMENT, NET | 63,404 | 12,737 |
| OTHER ASSETS | | |
| Pledges receivable – non-current | <u>368,585</u> | <u>0</u> |
| TOTAL ASSETS | <u>\$ 6,904,950</u> | <u>\$ 6,989,445</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 491,227 | \$ 664,180 |
| Deferred revenue | 2,019,000 | 0 |
| Operating lease obligations due within one year | <u>59,493</u> | <u>0</u> |
| TOTAL CURRENT LIABILITIES | 2,569,720 | 664,180 |
| NET ASSETS | | |
| Without donor restrictions | 1,487,419 | 2,497,212 |
| With donor restrictions | <u>2,847,811</u> | <u>3,828,053</u> |
| TOTAL NET ASSETS | <u>4,335,230</u> | <u>6,325,265</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 6,904,950</u> | <u>\$ 6,989,445</u> |

The accompanying notes are an integral part of these financial statements.

VALLEYWISE HEALTH FOUNDATION
Statement of Activities
For the Year Ended December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

| | 2022 | | | 2021 |
|---------------------------------------|----------------------------------|-------------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Totals |
| Revenues and Other Support | | | | |
| Contributions | \$ 670,249 | \$ 7,508,648 | \$ 8,178,897 | \$ 6,934,351 |
| Grants | 0 | 1,475,988 | 1,475,988 | 5,115,770 |
| Special events | 1,277,064 | 137,424 | 1,414,488 | 1,289,524 |
| Less: Direct donor benefits | (184,909) | 0 | (184,909) | (283,207) |
| Investment income(loss) | (338,040) | 0 | (338,040) | 239,883 |
| Other income | 129,570 | 0 | 129,570 | 124,096 |
| Net assets released from restrictions | <u>10,102,302</u> | <u>(10,102,302)</u> | <u>0</u> | <u>0</u> |
| Total Revenue and Other Support | 11,656,236 | (980,242) | 10,675,994 | 13,420,417 |
| Expenses: | | | | |
| Program services | 10,431,542 | 0 | 10,431,542 | 8,981,607 |
| General and administrative | 826,507 | 0 | 826,507 | 377,879 |
| Fundraising | <u>1,407,980</u> | <u>0</u> | <u>1,407,980</u> | <u>993,347</u> |
| Total Expenses | <u>12,666,029</u> | <u>0</u> | <u>12,666,029</u> | <u>10,352,833</u> |
| Change in net assets | (1,009,793) | (980,242) | (1,990,035) | 3,067,584 |
| Net Assets, Beginning of Year | <u>2,497,212</u> | <u>3,828,053</u> | <u>6,325,265</u> | <u>3,257,681</u> |
| Net Assets, End of Year | <u>\$ 1,487,419</u> | <u>\$ 2,847,811</u> | <u>\$ 4,335,230</u> | <u>\$ 6,325,265</u> |

The accompanying notes are an integral part of these financial statements.

VALLEYWISE HEALTH FOUNDATION
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

| | 2022 | | | | 2021 |
|----------------------------|----------------------|-------------------------------|---------------------|----------------------|----------------------|
| | Program Services | General and Administrative | Fundraising | Total | Total |
| Salaries | \$ 18,074 | \$ 586,256 | \$ 1,054,738 | \$ 1,659,068 | \$ 969,626 |
| Payroll taxes and benefits | 3,613 | 98,367 | 194,498 | 296,478 | 216,977 |
| | <u>21,687</u> | <u>684,623</u> | <u>1,249,236</u> | <u>1,955,546</u> | <u>1,186,603</u> |
| Program services | 10,394,768 | 0 | 0 | 10,394,768 | 8,987,811 |
| Special events | 0 | 0 | 457,679 | 457,679 | 413,627 |
| Professional services | 15,087 | 117,557 | 0 | 132,644 | 119,963 |
| Professional development | 0 | 25,181 | 0 | 25,181 | 7,121 |
| Occupancy | 0 | 68,995 | 0 | 68,995 | 64,255 |
| Community outreach | 0 | 0 | 433,011 | 433,011 | 404,204 |
| Technology | 0 | 55,380 | 4,543 | 59,923 | 79,820 |
| Donor development | 0 | 7,449 | 59,754 | 67,203 | 31,414 |
| Dues and subscriptions | 0 | 12,098 | 0 | 12,098 | 435 |
| Depreciation | 0 | 8,703 | 0 | 8,703 | 7,984 |
| Office expense | 0 | 18,482 | 3,757 | 22,239 | 32,531 |
| Insurance | 0 | 11,342 | 0 | 11,342 | 11,728 |
| Miscellaneous | 0 | 16,697 | 0 | 16,697 | 5,337 |
| | <u>10,431,542</u> | <u>1,026,507</u> | <u>2,207,980</u> | <u>13,666,029</u> | <u>11,352,833</u> |
| VHS cost reimbursement | <u>0</u> | <u>(200,000)</u> | <u>(800,000)</u> | <u>(1,000,000)</u> | <u>(1,000,000)</u> |
| Totals | <u>\$ 10,431,542</u> | <u>\$ 826,507</u> | <u>\$ 1,407,980</u> | <u>\$ 12,666,029</u> | <u>\$ 10,352,833</u> |

The accompanying notes are an integral part of these financial statements.

VALLEYWISE HEALTH FOUNDATION
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Information for the Year Ended December 31, 2021)

| | <u>2022</u> | <u>2021</u> |
|------------------------------------------------------------------------------------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ (1,990,035) | \$ 3,067,584 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 8,703 | 7,984 |
| Loss on disposal of property and equipment | 0 | 1,603 |
| Unrealized and realized loss (gain) on investments | 409,506 | (239,883) |
| Forgiveness of PPP loan | 0 | (123,286) |
| Lease expense | 845 | 0 |
| Net change in operating assets and liabilities: | | |
| Accounts receivable | 237,227 | (481,403) |
| Prepaid expenses | 16,017 | (11,896) |
| Deferred revenue | 2,019,000 | 0 |
| Pledges receivable | (986,085) | 0 |
| Accounts payable and accrued expenses | <u>(172,953)</u> | <u>491,313</u> |
| Net cash provided (used) by operating activities | (457,775) | 2,712,016 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | (59,370) | (17,700) |
| Sale of investments | 300,000 | 0 |
| Purchase of investments | <u>(166,033)</u> | <u>(586,476)</u> |
| Net cash provided (used) in investing activities | <u>74,597</u> | <u>(604,176)</u> |
| Net increase (decrease) in cash and cash equivalents | (383,178) | 2,107,840 |
| Cash and cash equivalents at beginning of year | <u>4,399,581</u> | <u>2,291,741</u> |
| Cash and cash equivalents at end of year | <u>\$ 4,016,403</u> | <u>\$ 4,399,581</u> |

The accompanying notes are an integral part of these financial statements.

VALLEYWISE HEALTH FOUNDATION
Notes to Financial Statements
December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – The Valleywise Health Foundation (formerly Maricopa Health Foundation) (the Foundation) was incorporated in the state of Arizona in 1994 as a nonprofit corporation. The Foundation was established to provide philanthropic support of Valleywise Health (formerly Maricopa Integrated Health System) (VH) programs, education, research, and capital improvements projects that advance patient welfare and improve health care in the community. The Foundation is funded by donations, pledges, grants, and other fundraising activities.

Basis of Accounting – The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which are presented on the accrual basis of accounting. Revenues and gains are recognized in the period in which they are earned and expenses and losses are recognized in the period in which the liability is incurred.

Basis of Presentation – Financial statement presentation follows the recommendation promulgated by the Financial Accounting Standard Board (FASB), collectively GAAP. Accordingly, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenue, and expenses are classified as without donor restrictions and with donor restrictions based upon the following criteria:

Without Donor Restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

With Donor Restrictions consists of contributed funds, subject to specific donor imposed restrictions, contingent upon specific performance of future events or a specific passage of time before the Foundation may spend the funds.

Comparative Financial Information – The 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 GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Income Tax Status – The Foundation is a tax exempt organization under Internal Revenue Code section 501(c)(3) therefore, no provision for income taxes has been made in these financial statements. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). Income determined to be unrelated business taxable income (UBTI) would be taxable. Under GAAP, the Foundation utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. As of December 31, 2022 management believes there were no uncertain tax positions.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers short-term investments with original maturity of less than ninety days and all certificates of deposits to be cash equivalents.

VALLEYWISE HEALTH FOUNDATION
Notes to Financial Statements
December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment – The Foundation's policy is to record purchases of property and equipment at costs in excess of \$1,000. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as recorded as without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as with donor restrictions. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Repair and maintenance costs are expensed as incurred.

Compensated Absences – The Foundation allows full-time employees to receive compensation for vacation leave. Employees are allowed to carry forward unused vacation into the following calendar year. Upon termination, earned but unpaid vacation time shall be paid as of the last full pay period before the termination. The accrued vacation liability at December 31, 2022 and 2021 is \$24,446 and \$27,963, respectively, and is included in accrued expenses.

Revenue Recognition – Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restrictions on gifts of fixed assets or cash for the purchase of fixed assets expire when the asset is placed in service.

In-Kind Donations consist of various donated services. The fair market values of the services are reported on the statement of activities as in-kind donations. Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Functional Allocation of Expenses – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Foundation's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Reclassification of Prior Year Presentation – Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Leases – The Company determines if an arrangement is or contains a lease at contract inception based on whether the arrangement involves the use of a physically distinct identified asset and whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period as well as the right to direct the use of the asset.

VALLEYWISE HEALTH FOUNDATION
Notes to Financial Statements
December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Right-of-use assets and the corresponding lease liabilities are recognized at commencement date based on the present value of lease payments for all leases with terms longer than twelve months. As the majority of the Company's leases do not provide an implicit interest rate, to determine the present value of lease payments, the Company uses its incremental borrowing rate based on information available on the lease commencement date and uses the implicit rate when readily determinable. The Company determines its incremental borrowing rate based on a comparable market yield curve consistent with the Company's credit rating, term of the lease and relative economic environment.

The Company does not report right-of-use assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Recently adopted accounting standards – In 2022, The Company adopted Accounting Standards Update No. 2016-02, Leases (Topic 842), which requires recognition of operating leases as lease assets and liabilities on the balance sheet, and disclosure of key information about leasing arrangements. The Company adopted Topic 842 and the related amendments using a modified-retrospective approach as of January 1, 2022 and applied the new guidance to all leases through a cumulative-effect adjustment to beginning of the reporting period. The Company elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Company recognized right-of-use assets of \$58,648 and lease liabilities totaling \$59,493 on the balance sheet as of December 31, 2022. Refer to Note H – Leases, for additional lease disclosures.

NOTE B – DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation estimates that the fair value of all financial instruments at December 31, 2022, as defined in ASC 820, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange.

GAAP provide a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Assets and liabilities that are required to be recorded at fair value in the balance sheet are categorized based on the inputs to valuation techniques as follows:

Level 1 – These assets and liabilities are where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2 – These are assets and liabilities where values are based on the following inputs:

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

VALLEYWISE HEALTH FOUNDATION
Notes to Financial Statements
December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

NOTE B – DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Equity and Fixed Income Securities – Valued at the closing price reported on the active market in which the individual securities are traded.

Real Estate Exchange Traded Funds – Valued at the closing price reported on the active market in which the individual securities are traded.

Cryptocurrency – Valued at the closing price reported on the active cryptocurrency market in which they are exchanged.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2022.

| Assets at Fair Value as of December 31, 2022 | | |
|-----------------------------------------------------|--------------|----------------|
| | Total | Level 1 |
| Equity Securities | \$ 862,185 | \$ 862,185 |
| Fixed Income Securities | 439,097 | 439,097 |
| Real Estate | 117,443 | 117,443 |
| Cryptocurrency | 2,084 | 2,084 |
| Total assets at fair value | \$ 1,420,809 | \$ 1,420,809 |

Investment loss consists of the following as of December 31, 2022:

| | |
|------------------------------|--------------|
| Unrealized and realized loss | \$ (409,506) |
| Dividends and Interest | 71,466 |
| | \$ (338,040) |

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

| | 2022 | 2021 | Estimated Life |
|--------------------------------|-------------|-------------|---------------------------|
| Technology | \$ 119,614 | \$ 60,244 | 3 – 5 Years |
| Furniture and fixtures | 43,778 | 43,778 | 3 Years |
| Leasehold improvements | 25,832 | 25,832 | 2 Years |
| Property and equipment | 189,224 | 129,854 | |
| Less: Accumulated depreciation | (125,820) | (117,117) | |
| Property and equipment, net | \$ 63,404 | \$ 12,737 | |

Depreciation expense for the years ended December 31, 2022 and 2021 was \$8,703 and \$7,984, respectively, and is included in general and administrative expense.

VALLEYWISE HEALTH FOUNDATION
Notes to Financial Statements
December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021 consisted of funds restricted for the following purposes:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------------------|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| All In Campaign | \$ 2,271,531 | \$ 3,195,843 |
| Grants | 100,000 | 40,000 |
| Programs | <u>476,280</u> | <u>592,210</u> |
| Total net assets with donor restrictions | <u>\$ 2,847,811</u> | <u>\$ 3,828,053</u> |

NOTE E – COOPERATIVE SERVICES AGREEMENT

Effective July 1, 2018, the Foundation entered into a Cooperative Service Agreement with Maricopa County Special Health Care District (District). The agreement provides for greater collaboration between the Foundation and the District with respect to enhanced philanthropic support for the District. The agreement provides for the District to have three voting positions on the Foundation Board of Directors. Annually, the District will provide \$1,000,000 of support to the Foundation so that the Foundation can expand its' capacity to fundraise. The Foundation, in turn, will endeavor to provide increased financial support to the District and meet identified key performance indicators with respect to Return on Investment (ROI) and Cost Per Dollar Raised (CPDR). For the year ended December 31, 2022, the District provided \$1,000,000 of funding to the Foundation. The five-year agreement may be extended on an annual basis. It also may be terminated by either party upon three hundred and sixty days prior written notice. The agreement was extended by the board of directors subsequent to year end.

NOTE F – CONCENTRATION OF RISK

Financial instruments potentially subjecting the Foundation to concentration or credit risk consists primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (FDIC) threshold. Demand deposits are placed with major financial institutions and management has not experienced any loss on these accounts and believes there is no significant exposure of credit risk on cash and cash equivalents.

NOTE G – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 4,016,403 | \$ 4,399,581 |
| Investments | 1,420,809 | 1,964,282 |
| Contributions and grants receivable | <u>338,153</u> | <u>575,380</u> |
| | <u>\$ 5,775,365</u> | <u>\$ 6,939,243</u> |

VALLEYWISE HEALTH FOUNDATION
Notes to Financial Statements
December 31, 2022
(With Summarized Information for the Year Ended December 31, 2021)

NOTE G – LIQUIDITY AND AVAILABILITY (continued)

The following reflects the Foundation’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| Financial assets, at year end | \$ 5,775,365 | \$ 6,939,243 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Donor-imposed restrictions: | | |
| Restricted by donor with purpose restrictions | <u>(2,847,811)</u> | <u>(3,828,053)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>2,927,554</u> | \$ <u>3,111,190</u> |

NOTE H – LEASES

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right-of-use assets represent the Foundation’s right to use underlying assets for the lease term, and the lease liabilities represent the Foundation’s obligation to make lease payments arising from these leases. The right-of-use assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Foundation has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liability as of December 31, 2022, was 4%.

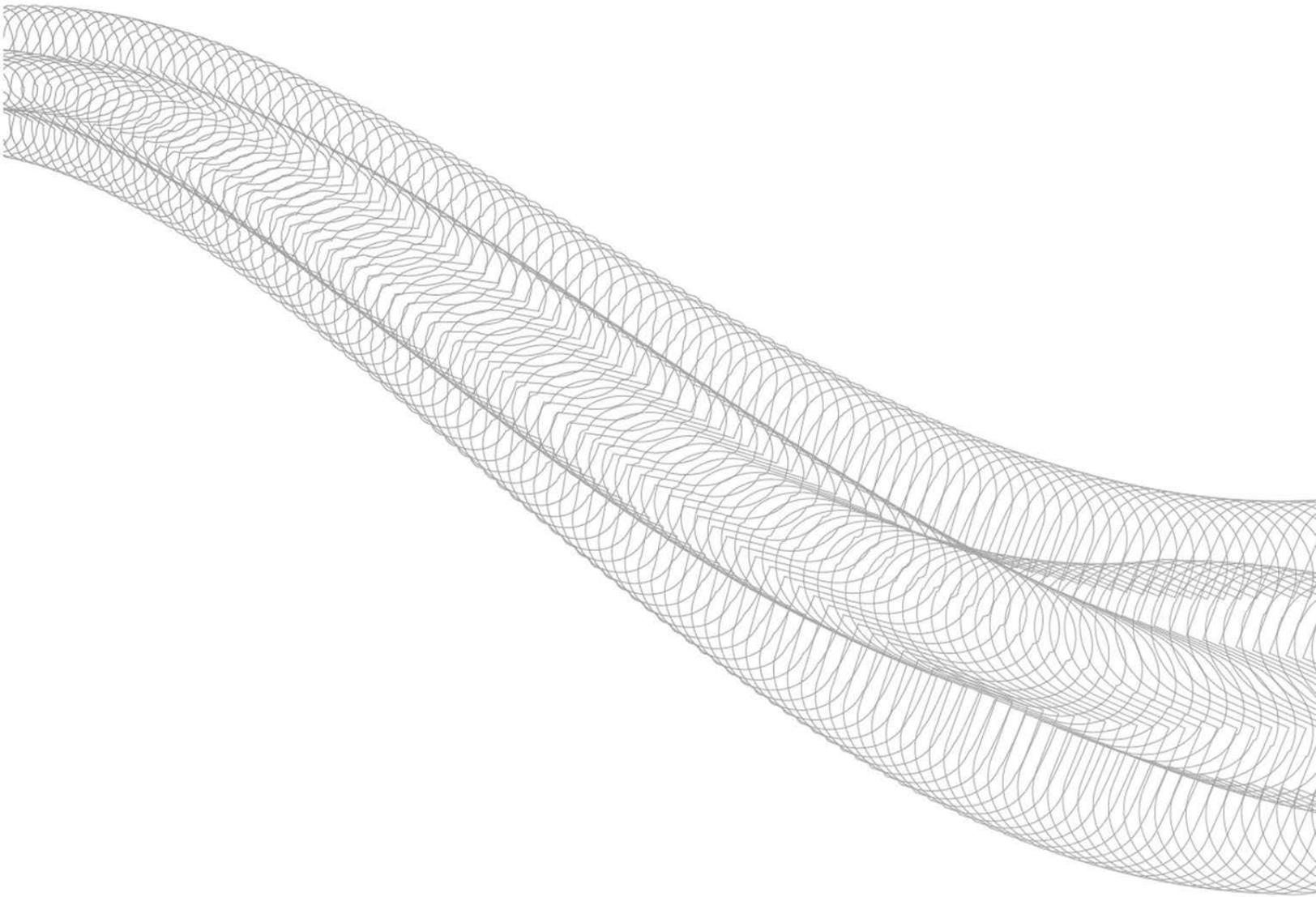
Future maturity of lease liability is presented in the following table, for the year ending December 31, 2022:

| | | | |
|-----------------------------|------|----|----------------|
| | 2023 | \$ | 60,672 |
| Less present value discount | | | <u>(1,179)</u> |
| Total lease obligations | | \$ | <u>59,493</u> |

The Foundation’s lease expense, inclusive of maintenance cost, for the year ended December 31, 2022 and 2021 was \$68,995 and \$64,255, respectively.

NOTE I – SUBSEQUENT EVENTS

The Foundation evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 17, 2023, which is the date the financial statements were available to be issued.



Phoenix

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Phoenix, AZ 85013

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