

# Valleywise Health Foundation

Financial Statements

December 31, 2020

(With Summarized Information for the Year Ended December 31, 2019)



**Valleywise Health Foundation**  
**Financial Statements**  
**December 31, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

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To the Board of Directors of  
Valleywise Health Foundation

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2020, 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.

### **Report on Summarized Comparative Information**

We have previously audited the Valleywise Health Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Phoenix, Arizona  
June 3, 2021

**Valleywise Health Foundation**  
**Statement of Financial Position**  
**December 31, 2020**  
**(With Comparative Information for the Year Ended December 31, 2019)**

<b>Assets</b>	<u><b>2020</b></u>	<u><b>2019</b></u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 2,291,741	\$ 2,141,697
Investments	1,137,923	0
Accounts receivable	93,977	72,218
Prepaid expenses	<u>25,569</u>	<u>25,664</u>
Total Current Assets	3,549,210	2,239,579
Property and equipment, net	<u>4,624</u>	<u>17,975</u>
Total Assets	<u>\$ 3,553,834</u>	<u>\$ 2,257,554</u>
 <b>Liabilities and Net Assets:</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 172,867	\$ 145,893
Paycheck Protection Program loan	<u>123,286</u>	<u>0</u>
Total Current Liabilities	<u>296,153</u>	<u>145,893</u>
<b>Net Assets:</b>		
Without donor restrictions	1,405,639	1,264,641
With donor restrictions	<u>1,852,042</u>	<u>847,020</u>
Total Net Assets	<u>3,257,681</u>	<u>2,111,661</u>
Total Liabilities and Net Assets	<u>\$ 3,553,834</u>	<u>\$ 2,257,554</u>

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

**Valleywise Health Foundation**  
**Statement of Activities**  
**For the Year Ended December 31, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

	<b>2020</b>			<b>2019</b>
	Without Donor Restrictions	With Donor Restrictions	Total	Totals
Revenues and Other Support				
Contributions	\$ 819,489	\$ 839,610	\$ 1,659,099	\$ 1,015,484
Grants	0	2,077,725	2,077,725	466,417
Special events	920,666	114,442	1,035,108	1,064,475
Less: Direct donor benefits	(62,957)	0	(62,957)	(179,686)
Investment income	138,812	0	138,812	21,148
Other income	793	(3,413)	(2,620)	136,473
In-kind donation	0	0	0	0
Net assets released from restrictions	2,023,342	(2,023,342)	0	0
<b>Total Revenue and Other Support</b>	<b>3,840,145</b>	<b>1,005,022</b>	<b>4,845,167</b>	<b>2,524,311</b>
Expenses:				
Program services	2,926,792	0	2,926,792	1,328,515
General and administrative	269,504	0	269,504	291,794
Fundraising	502,851	0	502,851	292,559
<b>Total Expenses</b>	<b>3,699,147</b>	<b>0</b>	<b>3,699,147</b>	<b>1,912,868</b>
Change in net assets	140,998	1,005,022	1,146,020	611,443
Net Assets, Beginning of Year	1,264,641	847,020	2,111,661	1,500,218
Net Assets, End of Year	<u>\$ 1,405,639</u>	<u>\$ 1,852,042</u>	<u>\$ 3,257,681</u>	<u>\$ 2,111,661</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, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

	<b>2020</b>				<b>2019</b>
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 0	\$ 228,500	\$ 610,633	\$ 839,133	\$ 626,086
Payroll taxes and benefits	<u>0</u>	<u>68,698</u>	<u>103,808</u>	<u>172,506</u>	<u>139,829</u>
	0	297,198	714,441	1,011,639	765,915
Program services	2,915,209	0	0	2,915,209	1,309,247
Special events	0	0	212,715	212,715	253,801
Professional services	11,583	71,963	0	83,546	184,907
Professional development	0	1,938	1,247	3,185	6,713
Occupancy	0	62,238	0	62,238	59,257
Community outreach	0	0	244,034	244,034	193,276
Technology	0	91,301	5,077	96,378	42,739
Donor development	0	17,888	5,236	23,124	41,420
Dues and subscriptions	0	586	0	586	537
Depreciation	0	19,073	0	19,073	22,503
Office expense	0	20,169	101	20,270	22,883
Insurance	0	5,431	0	5,431	4,215
Miscellaneous	<u>0</u>	<u>1,719</u>	<u>0</u>	<u>1,719</u>	<u>5,455</u>
	2,926,792	589,504	1,182,851	4,699,147	2,912,868
VHS cost reimbursement	<u>0</u>	<u>(320,000)</u>	<u>(680,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Totals	\$ <u><u>2,926,792</u></u>	\$ <u><u>269,504</u></u>	\$ <u><u>502,851</u></u>	\$ <u><u>3,699,147</u></u>	\$ <u><u>1,912,868</u></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, 2020**  
**(With Comparative Information for the Year Ended December 31, 2019)**

	<b>2020</b>	<b>2019</b>
Cash Flows From Operating Activities:		
Changes in net assets	\$ 1,146,020	\$ 611,443
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	19,073	22,503
Unrealized and realized gains on investments	(131,559)	0
Changes in operating assets and liabilities:		
Accounts receivable	(21,759)	(24,700)
Prepaid expenses	95	223
Accounts payable and accrued expenses	26,974	23,091
Deferred revenue	0	(13,000)
Net Cash Provided By Operating Activities:	1,038,844	619,560
Cash Flows from Investing Activities:		
Purchase of property and equipment	(5,722)	(28,578)
Purchase of investments	(1,006,364)	0
Net Cash Used In Investing Activities:	(1,012,086)	(28,578)
Cash Flows from Financing Activities:		
Proceeds received from Paycheck Protection Program loan	123,286	0
Net Cash Provided by Financing Activities:	123,286	0
Net increase in cash and cash equivalents	150,044	590,982
Cash and cash equivalents at beginning of year	2,141,697	1,550,715
Cash and cash equivalents at end of year	\$ 2,291,741	\$ 2,141,697

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

**Valleywise Health Foundation**  
**Notes to Financial Statements**  
**December 31, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

**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 System (formerly Maricopa Integrated Health System) (VHS) 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, 2019, 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, 2020 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, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

**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, 2020 and 2019 is \$17,457 and \$14,841, 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.

**Community Outreach** – The Foundation expenses community outreach costs as incurred. Community outreach expense was \$244,034 and \$193,276 for the years ended December 31, 2020 and 2019, respectively.

**Valleywise Health Foundation**  
**Notes to Financial Statements**  
**December 31, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

**NOTE B – DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Foundation estimates that the fair value of all financial instruments at December 31, 2020, 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.

*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.

Mutual Funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2020.

<b>Assets at Fair Value as of December 31, 2020</b>			
	<b>Total</b>		<b>Level 1</b>
Mutual Funds	\$ <u>1,137,923</u>	\$	<u>1,137,923</u>
Total assets at fair price	\$ <u><u>1,137,923</u></u>	\$	<u><u>1,137,923</u></u>

Investment income consist of the following as of December 31, 2020:

Unrealized and realized gains	\$ 131,559
Interest	<u>7,253</u>
	<u>\$ 138,812</u>

**Valleywise Health Foundation**  
**Notes to Financial Statements**  
**December 31, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

**NOTE C – PROPERTY AND EQUIPMENT**

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Life</u>
Technology	\$ 57,827	\$ 66,127	3 – 5 Years
Furniture and fixtures	43,778	49,538	3 Years
Leasehold improvements	<u>25,832</u>	<u>25,832</u>	2 Years
Property and equipment	\$ <u>127,437</u>	\$ <u>141,497</u>	
Less: Accumulated depreciation	<u>(122,813)</u>	<u>(123,522)</u>	
Property and equipment, net	<u><u>4,624</u></u>	<u><u>17,975</u></u>	

Depreciation expense for the years ended December 31, 2020 and 2019 was \$19,073 and \$22,503, respectively, and is included in general and administrative expense.

**NOTE D – PAYCHECK PROTECTION PROGRAM LOAN**

A Paycheck Protection Program Loan of \$123,286 was obtained on May 11, 2020. Monthly payments of \$6,903.57, including principal and interest at 1.00%, were due beginning December 11, 2020 after the deferral period expired. Payments were not due during the deferral period, which is the six month period beginning on the date of the note through December 11, 2020. The final payment will be due on May 11, 2022. Forgiveness of the loan is available for principal that is used for limited purposes that qualify for forgiveness under SBA requirements.

**NOTE E – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2020 and 2019 consisted of funds restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
All In Campaign	\$ 1,330,553	\$ 200,000
Grants	133,694	201,166
Programs	<u>387,795</u>	<u>445,854</u>
Total net assets with donor restrictions	\$ <u><u>1,852,042</u></u>	\$ <u><u>847,020</u></u>

**Valleywise Health Foundation**  
**Notes to Financial Statements**  
**December 31, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

**NOTE F – 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, 2020, 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.

**NOTE G – 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 H – LIQUIDITY AND AVAILABILITY**

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>2020</u>	<u>2019</u>
Financial assets, at year end	\$ 3,523,641	\$ 2,213,915
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(1,852,042)</u>	<u>(847,020)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,671,599</u>	<u>\$ 1,366,895</u>

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,291,741	\$ 2,141,697
Investments	1,137,923	0
Accounts receivable	<u>93,977</u>	<u>72,218</u>
	<u>\$ 3,523,641</u>	<u>\$ 2,213,915</u>

**Valleywise Health Foundation**  
**Notes to Financial Statements**  
**December 31, 2020**  
**(With Summarized Information for the Year Ended December 31, 2019)**

**NOTE I – OPERATING LEASE**

The Foundation has an agreement to lease office space under an operating lease that expires November 18, 2021. The annual minimum lease payments under this lease for the year ending December 31, 2021 is \$48,456.

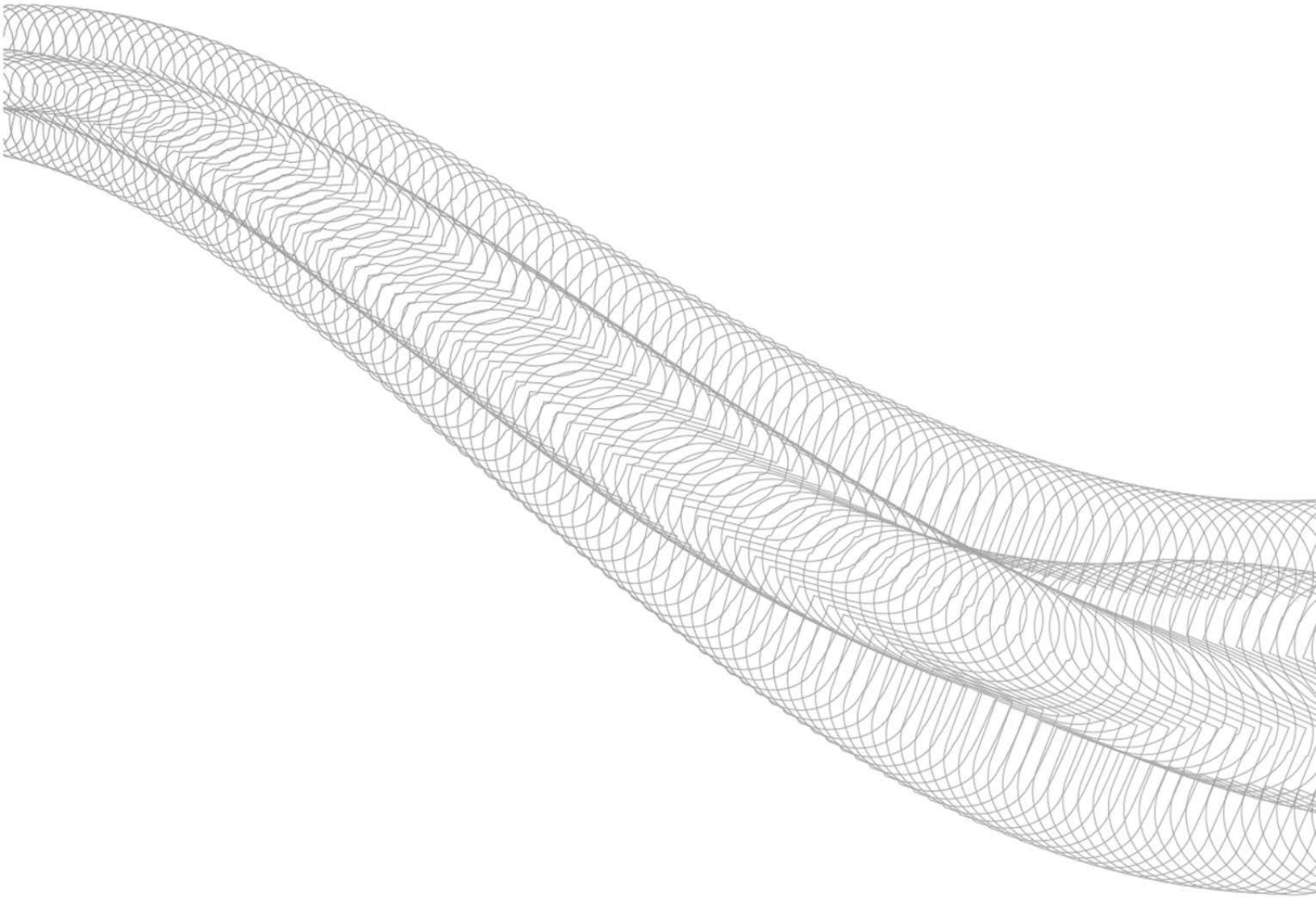
The Foundation's lease expense, inclusive of maintenance cost, for the year ended December 31, 2020 and 2019 was \$62,238 and \$59,257, respectively.

**NOTE J – COVID-19 IMPACT**

The Foundation was greatly impacted by COVID-19. Through community response, the Foundation provided record levels of support and impact funding to Valleywise Health, totaling \$1,415,901. New and existing individual donors and community organizations provided support to the front-line healthcare providers. Emergency grants helped ensure Valleywise Health's hospitals and clinics were equipped with life-saving resources to take on COVID-19. Quickly pivoting from an annual golf tournament and donor events in March, the Foundation charted new territory with one of the regions first virtual fundraising events, Night of Heroes. The community responded, with record funds raised. Throughout 2020, community support was received in the form of supplies, equipment, sewn masks, donated meals, and financial contributions.

**NOTE K – 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. On February 3, 2021, the PPP Loan amount of \$123,286 referred to in Note E was forgiven in full. Subsequent events have been evaluated through June 3, 2021, which is the date the financial statements were available to be issued.



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