

Valleywise Health Foundation

Financial Statements

December 31, 2021

(With Summarized Information for the Year Ended December 31, 2020)



Valleywise Health Foundation
December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 P.C." in a cursive style.

Phoenix, Arizona
May 5, 2022

Valleywise Health Foundation
Statement of Financial Position
December 31, 2021
(With Comparative Information for the Year Ended December 31, 2020)

Assets	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents	\$ 4,399,581	\$ 2,291,741
Investments	1,964,282	1,137,923
Contributions and grants receivable	575,380	93,977
Prepaid expenses	<u>37,465</u>	<u>25,569</u>
Total Current Assets	6,976,708	3,549,210
Property and equipment, net	<u>12,737</u>	<u>4,624</u>
Total Assets	<u>\$ 6,989,445</u>	<u>\$ 3,553,834</u>
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 664,180	\$ 172,867
Paycheck Protection Program loan	<u>0</u>	<u>123,286</u>
Total Current Liabilities	<u>664,180</u>	<u>296,153</u>
Net Assets:		
Without donor restrictions	2,497,212	1,405,639
With donor restrictions	<u>3,828,053</u>	<u>1,852,042</u>
Total Net Assets	<u>6,325,265</u>	<u>3,257,681</u>
Total Liabilities and Net Assets	<u>\$ 6,989,445</u>	<u>\$ 3,553,834</u>

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

Valleywise Health Foundation
Statement of Activities
For the Year Ended December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Totals
Revenues and Other Support				
Contributions	\$ 3,624,344	\$ 3,310,007	\$ 6,934,351	\$ 1,659,099
Grants	0	5,115,770	5,115,770	2,077,725
Special events	800,882	488,642	1,289,524	1,035,108
Less: Direct donor benefits	(283,207)	0	(283,207)	(62,957)
Investment income	239,883	0	239,883	138,812
Other income	122,490	1,606	124,096	(2,620)
Net assets released from restrictions	6,940,014	(6,940,014)	0	0
Total Revenue and Other Support	11,444,406	1,976,011	13,420,417	4,845,167
Expenses:				
Program services	8,981,607	0	8,981,607	2,926,792
General and administrative	377,879	0	377,879	269,504
Fundraising	993,347	0	993,347	502,851
Total Expenses	10,352,833	0	10,352,833	3,699,147
Change in net assets	1,091,573	1,976,011	3,067,584	1,146,020
Net Assets, Beginning of Year	1,405,639	1,852,042	3,257,681	2,111,661
Net Assets, End of Year	\$ 2,497,212	\$ 3,828,053	\$ 6,325,265	\$ 3,257,681

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

Valleywise Health Foundation
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

	2021				2020
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 6,640	\$ 220,936	\$ 742,050	\$ 969,626	\$ 839,133
Payroll taxes and benefits	1,328	67,237	148,412	216,977	172,506
	7,968	288,173	890,462	1,186,603	1,011,639
Program services	8,973,639	0	0	8,987,811	2,915,209
Special events	0	0	413,627	413,627	212,715
Professional services	0	134,135	0	119,963	83,546
Professional development	0	7,121	0	7,121	3,185
Occupancy	0	64,255	0	64,255	62,238
Community outreach	0	0	404,204	404,204	244,034
Technology	0	79,820	0	79,820	96,378
Donor development	0	6,360	25,054	31,414	23,124
Dues and subscriptions	0	435	0	435	586
Depreciation	0	7,984	0	7,984	19,073
Office expense	0	32,531	0	32,531	20,270
Insurance	0	11,728	0	11,728	5,431
Miscellaneous	0	5,337	0	5,337	1,719
	8,981,607	637,879	1,733,347	11,352,833	4,699,147
VHS cost reimbursement	0	(260,000)	(740,000)	(1,000,000)	(1,000,000)
Totals	\$ <u>8,981,607</u>	\$ <u>377,879</u>	\$ <u>993,347</u>	\$ <u>10,352,833</u>	\$ <u>3,699,147</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, 2021
(With Comparative Information for the Year Ended December 31, 2020)

	2021	2020
Cash Flows From Operating Activities:		
Changes in net assets	\$ 3,067,584	\$ 1,146,020
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	7,984	19,073
Loss on disposal of property and equipment	1,603	0
Unrealized and realized gains on investments	(239,883)	(131,559)
Forgiveness of PPP loan	(123,286)	0
Changes in operating assets and liabilities:		
Accounts receivable	(481,403)	(21,759)
Prepaid expenses	(11,896)	95
Accounts payable and accrued expenses	491,313	26,974
Net Cash Provided By Operating Activities:	2,712,016	1,038,844
Cash Flows from Investing Activities:		
Purchase of property and equipment	(17,700)	(5,722)
Purchase of investments	(586,476)	(1,006,364)
Net Cash Used In Investing Activities	(604,176)	(1,012,086)
Cash Flows from Financing Activities:		
Proceeds received from Paycheck Protection Program loan	0	123,286
Net Cash Provided by Financing Activities	0	123,286
Net increase in cash and cash equivalents	2,107,840	150,044
Cash and cash equivalents at beginning of year	2,291,741	2,141,697
Cash and cash equivalents at end of year	\$ 4,399,581	\$ 2,291,741

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

Valleywise Health Foundation
Notes to Financial Statements
December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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, 2020, 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, 2021 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, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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, 2021 and 2020 is \$27,963 and \$17,457, 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 \$404,204 and \$244,034 for the years ended December 31, 2021 and 2020, respectively.

Valleywise Health Foundation
Notes to Financial Statements
December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

NOTE B – DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation estimates that the fair value of all financial instruments at December 31, 2021, 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.

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, 2021.

Assets at Fair Value as of December 31, 2021		
	Total	Level 1
Equity Securities	1,461,365	1,461,365
Fixed Income Securities	\$ 436,143	436,143
Real Estate	61,403	61,403
Cryptocurrency	5,371	\$ 5,371
Total assets at fair value	\$ 1,964,282	\$ 1,964,282

Valleywise Health Foundation
Notes to Financial Statements
December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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

Investment income consists of the following as of December 31, 2021:

Unrealized and realized gains	\$	236,673	
Interest		3,210	
		239,883	

NOTE C – PROPERTY AND EQUIPMENT

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

		<u>2021</u>		<u>2020</u>	<u>Estimated Life</u>
Technology	\$	60,244	\$	57,827	3 – 5 Years
Furniture and fixtures		43,778		43,778	3 Years
Leasehold improvements		25,832		25,832	2 Years
		129,854		127,437	
Property and equipment		129,854		127,437	
Less: Accumulated depreciation		(117,117)		(122,813)	
		12,737		4,624	
Property and equipment, net	\$		\$		

Depreciation expense for the years ended December 31, 2021 and 2020 was \$7,984 and \$19,073, 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. This loan was forgiven on February 3, 2021.

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 consisted of funds restricted for the following purposes:

		<u>2021</u>		<u>2020</u>
Subject to expenditure for specified purpose:				
All In Campaign	\$	3,424,575	\$	1,330,553
Grants		40,000		133,694
Programs		363,478		387,795
		3,828,053		1,852,042
Total net assets with donor restrictions	\$		\$	

Valleywise Health Foundation
Notes to Financial Statements
December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

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, 2021, 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>2021</u>	<u>2020</u>
Financial assets, at year end	\$ 6,939,243	\$ 3,523,641
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions	<u>(3,828,053)</u>	<u>(1,852,042)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>3,111,190</u>	\$ <u>1,671,599</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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,399,581	\$ 2,291,741
Investments	1,964,282	1,137,923
Contributions and grants receivable	<u>575,380</u>	<u>93,977</u>
	\$ <u>6,939,243</u>	\$ <u>3,523,641</u>

Valleywise Health Foundation
Notes to Financial Statements
December 31, 2021
(With Summarized Information for the Year Ended December 31, 2020)

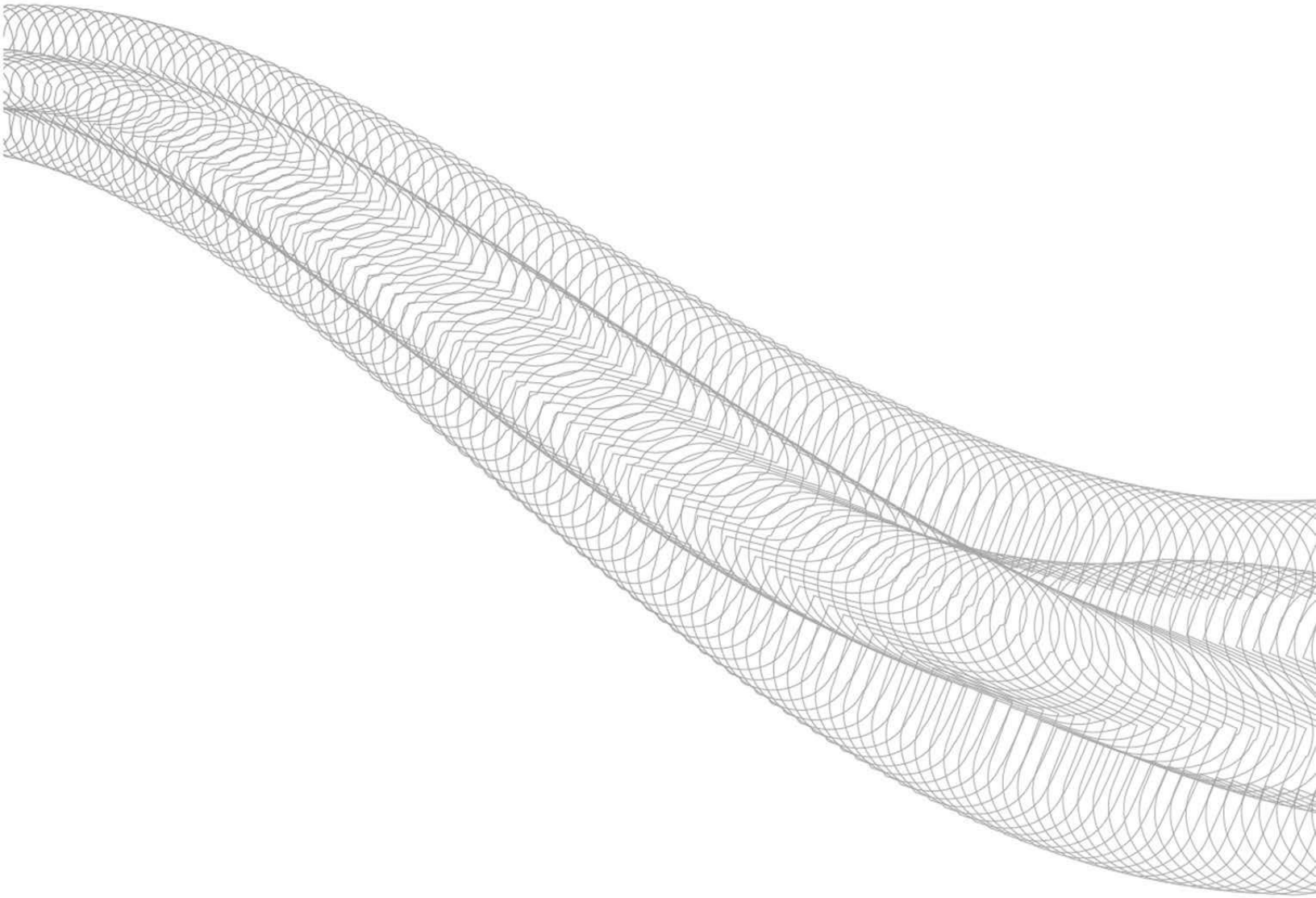
NOTE I – OPERATING LEASE

The Foundation has an agreement to lease office space under an operating lease that expires December 1, 2023. The annual minimum lease payments under this lease for the years ending December 31, 2022 and December 31, 2023 are \$64,260 and \$66,188, respectively.

The Foundation's lease expense, inclusive of maintenance cost, for the year ended December 31, 2021 and 2020 was \$64,255 and \$62,238, respectively.

NOTE J – 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 May 5, 2022, which is the date the financial statements were available to be issued.



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