



COMPASS HEALTH AND SUBSIDIARIES

Consolidated Financial Statements

For the Year Ended June 30, 2019

Table of Contents

	Page
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4 - 5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 29
Supplementary Information:	
Consolidating Statement of Financial Position	30 - 31
Consolidating Statement of Activities	32 - 33

Independent Auditor's Report

To the Board of Directors
Compass Health
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Compass Health and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2019, 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements 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 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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Effect of Adopting New Accounting Standard

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, including comparative totals, shown on pages 30 to 33 is presented for purposes of additional analysis, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 January 23, 2020 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 to solely 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 entity's internal control over financial reporting and compliance.

Clark Nuber P.C.

Certified Public Accountants
January 23, 2020

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Financial Position
June 30, 2019
(With Comparative Totals for 2018)**

	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	\$ 2,351,637	\$ 4,567,645
Deposits held in trust	920,691	976,934
Accounts receivable, net of allowance for doubtful accounts of \$44,952 (\$4,864 - 2018)	6,658,992	5,981,471
Grants and contracts receivable, net of allowance for doubtful amounts of \$88,682 (\$56,694 - 2018)	590,790	855,091
Current portion of facility contribution receivable (Note 12)	193,179	187,476
Other receivables	136,212	149,575
Prepaid expenses and other current assets	726,922	611,375
Total Current Assets	11,578,423	13,329,567
Restricted deposits and funded reserves, net of current portion (Note 3)	125,418	287,768
Facility contribution receivable, less current portion (Note 12)		193,179
Investments (Note 4)	251,076	
Investments limited as to use (Notes 4 and 11)	891,629	886,431
Beneficial interest in trust	11,229	10,579
Property and equipment, net (Note 5)	24,410,627	24,570,877
Total Assets	\$ 37,268,402	\$ 39,278,401
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 1,925,106	\$ 748,930
Accrued liabilities	4,596,994	3,805,355
Deferred revenue	185,178	1,960,045
Deposits held in trust	920,887	976,934
Current portion of capital lease obligations (Note 12)	736,520	602,796
Current portion of long-term debt (Note 7)	358,983	377,756
Total Current Liabilities	8,723,668	8,471,816
Capital lease obligations, less current portion (Note 12)	873,385	784,474
Long-term debt, less current portion (Note 7)	5,832,200	6,365,515
Total Liabilities	15,429,253	15,621,805
Net Assets:		
Without donor restrictions-		
Controlling interest	17,272,400	18,456,056
Noncontrolling interest	1,045,140	1,361,894
Total without donor restrictions	18,317,540	19,817,950
With donor restrictions (Note 8)	3,521,609	3,838,646
Total Net Assets	21,839,149	23,656,596
Total Liabilities and Net Assets	\$ 37,268,402	\$ 39,278,401

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019		Total	2018 Total
	Without Donor Restrictions	With Donor Restrictions		
Operating Activities				
Support, Revenue and Gains:				
Net patient service revenue	\$ 36,090,448	\$ -	\$ 36,090,448	\$ 32,193,083
Capitation revenue	30,568,599		30,568,599	27,110,878
Contributions and grants	4,903,646	540,759	5,444,405	5,527,947
In-kind contributions	77,956		77,956	651,736
Rental revenue	1,631,574		1,631,574	1,614,244
Consultation revenue	122,256		122,256	86,291
Other	22,159		22,159	13,518
Total Operating Support, Revenue and Gains	73,416,638	540,759	73,957,397	67,197,697
Net assets released from restriction (Note 8)	608,751	(608,751)		
Total Operating Support, Revenue, Gains and Releases	74,025,389	(67,992)	73,957,397	67,197,697
Expenses:				
Program services-				
Crisis response	10,581,753		10,581,753	10,085,476
Mental health outpatient	26,540,001		26,540,001	23,871,675
Residential treatment	3,877,527		3,877,527	3,485,652
Housing	2,389,321		2,389,321	2,208,145
Inpatient	5,836,525		5,836,525	3,939,023
Intensive outpatient	7,815,379		7,815,379	4,692,694
Psychiatry	4,933,495		4,933,495	4,491,323
Other program services	1,697,240		1,697,240	3,835,438
Total program services	63,671,241		63,671,241	56,609,426
Supporting services-				
Management and general	9,700,804		9,700,804	7,179,327
Information services	1,215,454		1,215,454	1,453,516
Fundraising	800,991		800,991	634,192
Total supporting services	11,717,249		11,717,249	9,267,035
Total Operating Expenses	75,388,490		75,388,490	65,876,461
Change in Net Assets From Operating Activities	(1,363,101)	(67,992)	(1,431,093)	1,321,236

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
 For the Year Ended June 30, 2019
 (With Comparative Totals for 2018)

	2019		Total	2018 Total
	Without Donor Restrictions	With Donor Restrictions		
Nonoperating Activities				
Dividends and interest (Note 4)	13,981	18,178	32,159	38,208
Loss on disposal of fixed assets	(405,533)		(405,533)	(131,443)
Change in Net Assets From Nonoperating Activities	(391,552)	18,178	(373,374)	(93,235)
Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses	(1,754,653)	(49,814)	(1,804,467)	1,228,001
Unrealized investment (losses) gains (Note 4)		(12,980)	(12,980)	29,461
Release of restricted net assets related to long-term assets (Note 8)	254,243	(254,243)		
Total Change in Net Assets	(1,500,410)	(317,037)	(1,817,447)	1,257,462
Noncontrolling interest in net losses of subsidiaries	198,958		198,958	163,654
Total Change in Net Assets Excluding Noncontrolling Interest	\$ (1,301,452)	\$ (317,037)	\$ (1,618,489)	\$ 1,421,116

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions			With Donor Restrictions	2019 Total	2018 Total
	Controlling Interest	Noncontrolling Interest	Total			
Beginning of year, net assets	\$ 18,456,056	\$ 1,361,894	\$ 19,817,950	\$ 3,838,646	\$ 23,656,596	\$ 22,399,134
Change in net assets excluding noncontrolling interest	(1,301,452)		(1,301,452)	(317,037)	(1,618,489)	1,421,116
Transfer of interests to controlling entity	117,796	(117,796)				
Change in net assets from noncontrolling interest		(198,958)	(198,958)		(198,958)	(163,654)
Total Change in Net Assets	(1,183,656)	(316,754)	(1,500,410)	(317,037)	(1,817,447)	1,257,462
End of Year, Net Assets	\$ 17,272,400	\$ 1,045,140	\$ 18,317,540	\$ 3,521,609	\$ 21,839,149	\$ 23,656,596

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Crisis Response	Mental Health Outpatient	Residential Treatment	Housing	Inpatient	Intensive Outpatient	Psychiatry	Other Program Services	Total Program Services	Management and General	Information Services	Fundraising	Total Supporting Services	2019 Total	2018 Total
Salaries and wages	\$ 7,078,168	\$ 15,972,836	\$ 2,200,819	\$ 165,256	\$ 2,717,647	\$ 4,628,241	\$ 2,299,956	\$ 903,671	\$ 35,966,594	\$ 5,909,505	\$ 835,167	\$ 292,832	\$ 7,037,504	\$ 43,004,098	\$ 38,023,400
Pension plan contributions	285,047	605,539	77,193	6,367	107,296	162,698	87,197	43,013	1,374,350	262,864	34,624	12,339	309,827	1,684,177	1,355,447
Employee benefits	1,153,125	3,662,698	549,683	39,271	439,399	1,126,493	232,386	192,113	7,395,168	639,252	139,177	54,265	832,694	8,227,862	7,168,353
Payroll taxes	604,967	1,345,169	212,027	13,717	234,788	398,016	155,998	72,217	3,036,899	440,624	68,978	24,054	533,656	3,570,555	3,211,059
Total Salaries and Related Expenses	9,121,307	21,586,242	3,039,722	224,611	3,499,130	6,315,448	2,775,537	1,211,014	47,773,011	7,252,245	1,077,946	383,490	8,713,681	56,486,692	49,758,259
Occupancy	387,465	1,417,779	278,478	756,842	1,209,227	388,311	129,632	101,629	4,669,363	220,134	51,183	24,800	296,117	4,965,480	4,180,277
Other professional fees	294,735	458,991	25,650	445,681	750,496	53,888	1,844,839	20,450	3,894,730	622,112	592	176,485	799,189	4,693,919	2,918,721
Office expenses	292,124	534,318	276,789	36,570	253,542	197,154	55,289	69,147	1,714,933	212,824	46,197	118,193	377,214	2,092,147	1,853,734
Depreciation and amortization	182,401	639,252	106,567	426,849	36,517	198,459	53,332	126,979	1,770,356	110,250	14,523	6,991	131,764	1,902,120	2,037,367
Client assistance	24,185	678,306	55,014	181,064	14,521	143,873		253	1,097,216	3,691			3,691	1,100,907	1,566,662
Travel	95,266	288,371	12,233	17,434	3,810	274,916	14,374	13,780	720,184	70,070	9,021	6,346	85,437	805,621	726,909
Insurance	79,543	240,787	31,982	125	26,218	72,509	18,705	4,325	474,194	312,684	441	791	313,916	788,110	692,105
Miscellaneous	27,165	76,838	20,091	14,614	17,566	27,375	6,958	35,004	225,611	288,127	1,356	7,559	297,042	522,653	393,201
Accounting fees	50,003	153,006	19,722	54,529	16,996	57,576	12,950	40,197	404,979	98,628	5,433	1,865	105,926	510,905	486,465
Interest	7,898	77,199	4,326	165,673	1,955	5,845	5,423	35,917	304,236	11,879	637	220	12,736	316,972	332,575
Bad debt	11	305,776		54,787	57	48,808	7,401	1,171	418,011	112,430		17,849	130,279	548,290	176,195
Conferences, conventions and meetings	12,078	52,240	3,999	4,318	3,491	17,961	4,956	26,608	125,651	89,204	5,403	2,285	96,892	222,543	301,537
Employee recruitment		319					1,330	83	1,732	175,026			175,026	176,758	165,571
Legal fees				4,977					4,977	112,190			112,190	117,167	165,381
Information technology	7,572	30,471	2,954	1,069	2,999	13,256	2,769	855	61,945	4,166	2,722	458	7,346	69,291	104,867
Advertising and marketing		106		178				9,828	10,112	5,144		53,659	58,803	68,915	16,635
Total Operating Expenses	\$ 10,581,753	\$ 26,540,001	\$ 3,877,527	\$ 2,389,321	\$ 5,836,525	\$ 7,815,379	\$ 4,933,495	\$ 1,697,240	\$ 63,671,241	\$ 9,700,804	\$ 1,215,454	\$ 800,991	\$ 11,717,249	\$ 75,388,490	\$ 65,876,461

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

**Consolidated Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (1,817,447)	\$ 1,257,462
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation and amortization	1,902,120	2,037,367
Debt issuance costs amortization	11,785	8,897
Facility contribution receivable	187,476	(380,655)
Realized and unrealized investment losses (gains)	13,791	(29,461)
Loss on disposal of fixed assets	405,533	131,443
Changes in assets and liabilities:		
Accounts receivable	(677,521)	(1,232,816)
Grants and contracts receivable	264,301	234,407
Other receivables	13,363	(3,230)
Prepaid expenses and other assets	(116,001)	303,280
Accounts payable and accrued liabilities	1,774,223	(771,314)
Deferred revenue	(1,774,867)	76,283
Net Cash Provided by Operating Activities	186,756	1,631,663
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(2,402,948)	(2,297,804)
Proceeds from sale of fixed assets	449,137	
Net withdrawals from restricted deposits and funded reserves	162,350	958,530
Purchases of investments	(2,586,542)	(1,705,070)
Proceeds from sale of investments	2,316,477	1,677,027
Net Cash Used by Investing Activities	(2,061,526)	(1,367,317)
Cash Flows From Financing Activities:		
Proceeds from capital lease obligations	851,909	1,111,491
Repayment of capital lease obligations	(629,274)	(607,976)
Proceeds from issuance of long-term debt	29,104	1,065,660
Principal payments on long-term debt	(592,977)	(1,566,363)
Net activity on lines of credit		(500,000)
Net Cash Used by Financing Activities	(341,238)	(497,188)
Change in Cash and Cash Equivalents	(2,216,008)	(232,842)
Cash and Cash Equivalents:		
Beginning of year	4,567,645	4,800,487
End of Year	\$ 2,351,637	\$ 4,567,645
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 211,364	\$ 336,798
Fixed asset purchases included in accounts payable at year end	\$ 100,296	\$ 7,000
Acquisition of equipment under capital lease obligations	\$ 851,909	\$ 1,111,491

See accompanying notes.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

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, College Hill Consociation, Child Advocacy Center of Snohomish County at Dawson Place, Compass Health Holdings, LLC, Marysville Studio Apartments, LLC, Milwaukee Park Apartments, LP, Compass Health Broadway 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 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.

Marysville Studio Apartments, LLC (MSA) was formed as a limited liability company under the laws of the State of Washington in 2002. The project (Alder Commons) consists of 18 housing units in Marysville, 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 is the managing member with a 0.01% member interest in the limited liability company and the investing member is the National Equity Fund. The limited liability company is reported as a consolidated subsidiary of Compass Health due to the control Compass Health has over the limited liability company as its managing member. On December 31, 2018, MSA transferred all its assets for assumption of all MSA liabilities to Compass Health.

Compass Health is the sole and managing member of Compass Health Holdings, LLC (CHH), a consolidated entity of Compass Health which was formed in January 2007. CHH is the general partner of Milwaukee Park Apartments, LP (MPA), also formed in January 2007. MPA was formed as a limited partnership under the laws of the State of Washington. The general partner is CHH and the investor member is the National Equity Fund. The project consists of 15 studio apartments located in Mount Vernon, Washington. The project received an allocation of low-income housing tax credits from the Washington State Housing Finance Commission under Section 42 of the Internal Revenue Code of 1986, as amended. Compass Health has a 0.01% partnership interest in MPA. MPA is reported as a consolidated entity of Compass Health due to the control Compass Health has over MPA through CHH as its general partner.

Compass Health Broadway PSH, LLLP (CHB) was formed as a limited liability limited partnership under the laws of the State of Washington in 2018. CHB is reported as a consolidated entity of Compass Health due to the control Compass Health has over CHB as its general and sole partner.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

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 of Dawson Place and has an economic interest in Dawson Place, 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 of Harmony House and has an economic interest in Harmony House, Harmony House is reported as a consolidated entity of Compass Health.

Behavioral Health Northwest (BHN), a nonprofit corporation, was incorporated in fiscal year 2011 and facilitates a network of providers in Washington State to provide transitional care to keep individuals in their homes. Compass Health and another not-for profit organization have equal membership rights to BHN. As such, BHN has not been consolidated with Compass Health for the years ended June 30, 2019 and 2018.

At June 30, 2019 noncontrolling interest presented in the consolidated financial statements is comprised of the ownership interest of members and partners related to Milwaukee Park Apartments, LP. For the year ended June 30, 2019, transfer of controlling interest was associated with the transfer of all assets and liabilities of Marysville Studio Apartments, LLC to Compass Health.

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.

Mental Health Outpatient - Provides counseling, case management, family therapy, group therapy, and psychiatric prescribing, along with other specialized outpatient services. Serves individuals of all ages and families. Services range in intensity from brief interventions to longer term treatment. Treatment plans are tailored to individual needs.

Residential Treatment - Three facilities totaling 48 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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Housing - Provides safe and affordable housing to individuals who have chronic mental illness. Support services are provided to assist clients coming out of institutions and moving from homelessness to being stably housed. Other support services include HMIS (Homeless Management Information System) data entry required by the U.S. Department of Housing and Urban Development (HUD) and administering the Shelter Plus Care program which provides clients with a voucher to live wherever they chose in the community. At June 30, 2019, the Organization had 13 housing units; 156 beds throughout Snohomish, Skagit and Island counties. In addition, the Organization master leases the Islander Apartment, 10 1-bedroom units for ICHA, issued 120 Shelter Plus Care vouchers in Snohomish County and has 9 Skagit Vouchers. The housing program also secures grant funds for motel vouchers to provide a safe place to sleep while staff help look for a permanent housing option.

Inpatient - Operates a 16-bed Evaluation and Treatment Center providing short-term inpatient treatment for individuals involuntarily hospitalized under the Involuntary Treatment Act.

Intensive Outpatient - Provides intensive 24-hour outpatient services to children and adults using a variety of models, including the evidence-based practices of Wraparound for children and the Program for Assertive Community Treatment (PACT) for adults. The programs serve individuals and families with complex needs who are at high risk of crisis and hospitalization, and utilizes a team approach. After hours response is provided first by the treatment team rather than the crisis system.

Psychiatry - Provides psychiatric evaluation and medication management, embedded in most of the service programs listed here.

Other Program Services - Other services related to the Compass Health mission provided directly to the public and affiliated agencies serving common populations, such as community outreach and education, chemical dependency treatment services, care coordination, home health, hospital transition services, and payee services.

Basis of Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations restrictions on net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions with externally imposed restrictions that are met in the same year as received are reported as revenues of the net asset without donor restrictions class.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Totals - The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2018, 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 receivable are stated at net realizable value. Third-party contractual adjustments are made based on past experience. Receivables are reduced by an allowance for estimated uncollectible amounts and accounts deemed uncollectible are charged against this allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential past due receivables. The adequacy of the allowance is based upon management's evaluation of the quality, character and inherent risks associated with the receivables based on past experience. The Organization's policy is to write off outstanding patient balances at the time that they are deemed uncollectible. As of June 30, 2019 and 2018, the Organization estimated the contractual adjustments on outstanding accounts receivable to be \$153,772 and \$16,816, respectively.

Bond Issue Costs - Bond issue costs are recorded as a deduction to the related debt liability on the consolidated statement of financial position. Financing costs are amortized over the term of the applicable debt using the effective yield method. Amortization expense was \$11,785 and \$8,897 for the years ended June 30, 2019 and 2018, respectively.

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

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. When the long-lived assets are placed into service, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

Deferred Revenue - Deferred revenue consists of rents and contract payments received and not yet earned.

Malpractice Insurance and Other Claims - The Organization purchases professional and general liability insurance to cover medical malpractice claims. The insurance policy provides claims-made malpractice insurance coverage which covers only asserted malpractice claims. The Organization recognizes expenses associated with unasserted malpractice claims in the period in which the incidents are expected to have occurred, rather than when a claim is asserted. The Organization is involved from time to time in claims, proceedings and litigation arising in the ordinary course of business. In management's opinion, the outcome from these matters will not materially impact the Organization's consolidated financial position or results of activities.

Nonoperating Versus Operating - For the purpose of the changes in net assets on the consolidated statement of activities, the Organization considers the gain or loss on sale or disposition of fixed assets, investment returns, contributions and grants restricted for the acquisition of long-term assets to be nonoperating activities.

Excess (Deficiency) of Support, Revenues and Gains Over (Under) Expenses - The consolidated statement of activities includes excess (deficiency) of support, revenues and gains over (under) expenses which is considered its performance indicator. Changes in net assets which are excluded from the performance indicator, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, contributions restricted for endowment, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets and the related releases).

Net Patient Service Revenue - The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include reimbursed costs, case rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors as final settlements are determined.

Capitation Revenue - The monthly capitation payments under agreements with North Sound Behavioral Health Organization (NSBHO) to provide mental health services to subscribing participants are based on factors including costs and the number of participants, regardless of services actually performed by the Organization.

Contributions - 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.

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, 2019 and 2018.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Concentrations - The Organization is partly funded under fee for service contracts with NSBHO, and other governmental agencies. For the years ended June 30, 2019 and 2018, revenues related to the NSBHO accounted for approximately 87% and 85% of total operating support, revenue and gains, respectively.

The Organization also grants credit without collateral to its patients, most of whom are local residents and are commonly insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors at June 30, was as follows:

	<u>2019</u>	<u>2018</u>
NSBHO	91%	95%
Other third party payors	7%	4%
Medicare	<u>2%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

The health programs are dependent upon continued funding from government agencies and the legislative acts that impact the programs. The fee for service and cost reimbursement 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 expires on March 31, 2020. Approximately 62% and 58% of the Organization's employees are covered under the Agreement during the years ended June 30, 2019 and 2018, respectively.

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

MSA and CHH are limited liability companies which have elected to be taxed as partnerships under the provisions of the Internal Revenue Code. MPA and CHB 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 and facility related expenditures which are allocated based on a square footage basis. 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, 2019 (With Comparative Totals for 2018)

Note 1 - Continued

Adoption of New Accounting Pronouncement - For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Subsequent Events - The Organization has evaluated subsequent events through January 23, 2020, the date on which the consolidated financial statements were available to be issued.

Note 2 - Net Patient Service Revenue

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors are as follows:

NSBHO - The North Sound BHO administers both Medicaid and Washington State funds. Providers earn these funds by receiving fees for service to qualified clients for outpatient services up to a pre-determined ceiling. Inpatient services, crisis services, and residential treatment services are reimbursed based on a pre-determined amount or on a fee-for-service basis.

Medicare - Outpatient services rendered to Medicare program beneficiaries are paid at established rates specified by the Centers for Medicare Services Physician Fee Schedule (PFS rate) for mental health services in the State of Washington. For each visit provided to a Medicare program beneficiary, the Organization is paid 80% of the established PFS rate, with the beneficiary being responsible for the remaining 20% representing a co-pay.

The Organization also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per encounter, case rates, discounted charges and per diem payments. Laws and regulations governing Medicare, Medicaid, the NSBHO agreement 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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 3 - 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. All reserves are maintained in the custody of various banks. Restricted deposits and funded reserves are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Operating reserves	\$ 19,018	\$ 107,721
Capital reserves	98,900	172,547
Debt reserve (Note 7)	<u>7,500</u>	<u>7,500</u>
Total Restricted Deposits and Funded Reserves	<u>\$ 125,418</u>	<u>\$ 287,768</u>

Note 4 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets for identical assets and liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities valued using Level 3 inputs are based on management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

The Organization's mutual funds and exchange-traded funds were valued at quoted market prices in active markets for identical assets, which represent the net asset value (NAV) of shares held by the Organization at year end. Certificates of deposit were valued at cost plus accrued interest, which approximated fair value. There have been no changes in the methodologies used during the years ended June 30, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Investments	\$ 251,076	\$ -
Investments limited as to use	<u>891,629</u>	<u>886,431</u>
	<u>\$ 1,142,705</u>	<u>\$ 886,431</u>

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

Note 4 - Continued

Fair values of assets measured on a recurring basis were as follows at June 30, 2019:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 251,076	\$ -	\$ -	\$ 251,076
Mutual funds and exchange-traded funds-				
Domestic equity	243,655			243,655
International equity	134,577			134,577
Fixed income	468,090			468,090
Total Mutual Funds and Exchange-Traded Funds at Fair Value	\$ 1,097,398	\$ -	\$ -	\$ 1,097,398
Money market				45,307
Total Investments				\$ 1,142,705

Investment return is reported in the consolidated statement of activities for the years ended June 30 as follows:

	2019	2018
Dividends and interest	\$ 32,159	\$ 38,208
Realized and unrealized investment (losses) gains	(12,980)	29,461
Total Investment Returns	\$ 19,179	\$ 67,669

Note 5 - Property and Equipment

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

	2019	2018
Land	\$ 4,470,348	\$ 4,650,348
Leasehold improvements	2,724,837	2,599,245
Buildings and improvements	28,782,622	28,244,219
Projects in progress	1,112,341	258,224
Furniture and equipment	5,594,153	7,807,597
Vehicles	218,210	221,404
	42,902,511	43,781,037
Less accumulated depreciation	(18,491,884)	(19,210,160)
Total Property and Equipment, Net	\$ 24,410,627	\$ 24,570,877

Projects in progress at June 30, 2019 and 2018 consisted of the Bailey Center Campus redevelopment project (Note 14) and various building and system improvement projects.

For the years ended June 30, 2019 and 2018, depreciation expense was \$1,902,120 and \$2,037,367, respectively.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 6 - 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 \$20,332 and \$0 which are included in accrued liabilities in the consolidated statement of financial position at June 30, 2019 and 2018, respectively.

Note 7 - Long-Term Debt

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

	<u>2019</u>	<u>2018</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.	\$ 982,713	\$ 997,592
Series 2002 Washington Health Care Facilities Authority Bonds (privately placed) payable in monthly installments of \$11,449, including fixed interest at 3.02%, due monthly through May 21, 2022. The bonds are collateralized by property at 3322 Broadway in Everett, WA and 3320 173rd Place NE in Arlington, WA. The Organization is required to comply with restrictive covenants contained in the bond agreement. The Organization was in compliance with the covenants as of June 30, 2019.	333,317	440,930
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, 2019, was 7.375% and \$3,492, respectively. The note matures June 2023 and is collateralized by the Alder Commons property.	394,444	406,365
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.	388,799	400,780
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.	230,919	237,492

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

Note 7 - Continued

	<u>2019</u>	<u>2018</u>
<u>Compass Health (Continued):</u>		
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.	217,436	222,586
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.	138,105	140,205
Note payable to a bank in monthly payments of \$1,337, including interest at a variable rate (5.09% at June 30, 2019). The note matures April 2029. Collateralized by the 3645 E McLeod Rd, Bellingham, WA property.	125,778	135,271
Noninterest bearing note payable to the State of Washington. During the year ended June 30, 2019 the principal balance of the note was repaid upon the sale of the 1604 I Street, Bellingham, WA property.		112,500
Note payable to a bank in monthly payments of \$1,015, including interest at a variable rate (5.09% at June 30, 2018). During the year ended June 30, 2019 the principal balance of the note was repaid upon the sale of the 1604 I Street, Bellingham, WA property.		102,425
Noninterest bearing note payable to a bank. Principal due at maturity on April 1, 2020. Collateralized by the 3322 Broadway, Everett, WA property. The loan was repaid during 2019 with the proceeds of a refinancing.		65,660
Note payable to a bank with principal due at maturity on February 29, 2020. Monthly interest only payments accruing at a fixed rate of 6.42%. Collateralized by the 3301 Lombard, Everett, WA property.	94,764	
Noninterest bearing note payable to the City of Bellingham. Deferred principal payment until such time as the property acquired with the loan is no longer used to house low income, chronically mentally ill persons. During the year ended June 30, 2019 the principal balance of the note was repaid upon the sale of the 1604 I Street, Bellingham, WA property.		65,047

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

Note 7 - Continued

	2019	2018
<u>Compass Health (Continued):</u>		
Noninterest bearing note payable to the City of Bellingham. Deferred principal payment until such time as the property acquired with the loan is no longer used to house low income, chronically mentally ill persons. During the year ended June 30, 2019 the principal balance of the note was repaid upon the sale of the 1604 I Street, Bellingham, WA property.		60,000
Note payable to Snohomish County that bears interest at 0.50% and requires monthly interest only payments with full payment due in September 2044. The property is required to be used for low income housing purposes and is collateralized by the Marysville Studio Apartments.	100,000	
<u>Marysville Studio Apartments:</u>		
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. Note payable was transferred to Compass Health during the year ended June 30, 2019.		100,458
<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, due March 11, 2023, payable \$5,863 per month, including interest fixed at 3.25% until May 2022 at which time the interest rate will be the greater of (i) 3.25%, or (ii) the Federal Home Loan Bank of Seattle Three Year Long-Term Fixed Advanced Rate plus a margin of 3%, multiplied by .65, plus .03%. Secured by the land and building.	1,062,160	1,096,897

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

Note 7 - Continued

	<u>2019</u>	<u>2018</u>
<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.	452,825	472,131
<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.	733,345	762,140
Total debt obligations	6,253,874	6,817,748
Less unamortized debt issuance costs	(62,691)	(74,477)
Less current portion	(358,983)	(377,756)
Total Debt, Net of Current Portion	<u>\$ 5,832,200</u>	<u>\$ 6,365,515</u>

Principal maturities of long-term debt are as follows:

For the Year Ending June 30,

2020	\$ 358,983
2021	276,825
2022	280,000
2023	516,957
2024	174,357
Thereafter	<u>4,646,752</u>
	<u>\$ 6,253,874</u>

The Organization opened a \$3,500,000 line of credit with a financial institution on January 25, 2018. Borrowing under this line bears interest at the greater of the WSJ prime rate or 5.5% (5.5% as of June 30, 2019). On July 30, 2019, this agreement was amended to increase the line of credit limit to the lesser of \$10,000,000 or 75% of the Organizations eligible accounts receivable. The line is secured by the equipment and accounts receivable of the Organization. There were no draws on this line during the years ended June 30, 2019 and 2018.

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.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

Note 8 - Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to passage of time or expenditure for a specified purpose-		
Operating:		
Restricted for program services	\$ 783,043	\$ 672,025
Time restricted	52,046	43,580
Time restricted endowment accumulated earnings (Note 11)	605,141	599,943
Facility contribution receivable (Note 12)	193,179	380,655
Nonoperating:		
Secure the future	18,036	18,036
Acquisition of fixed assets		19,103
Forgivable loans (Note 9)	<u>1,583,676</u>	<u>1,818,816</u>
	3,235,121	3,552,158
Endowment corpus	<u>286,488</u>	<u>286,488</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,521,609</u>	<u>\$ 3,838,646</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>2019</u>	<u>2018</u>
Operating-		
Released for program expenses	\$ 368,839	\$ 372,459
Time restricted	43,580	20,900
Facility contribution receivable (Note 12)	<u>196,332</u>	
Net Assets Released (Operating)	<u>\$ 608,751</u>	<u>\$ 393,359</u>
Nonoperating-		
Secure the future	\$ -	\$ 2,000
Acquisition of fixed assets	19,103	54,263
Amortization of forgivable loans	<u>235,140</u>	<u>317,008</u>
Net Assets Released (Nonoperating)	<u>\$ 254,243</u>	<u>\$ 373,271</u>

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

Note 9 - Forgivable Loans

The Organization received forgivable loan proceeds of \$4,532,775 through the year ended June 30, 2019. 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 being met and are likely to continue to be met, the proceeds from these forgivable loans have been recognized as revenues with donor restrictions (Note 8). The restricted balances are being released over the terms of the restricted use agreements. 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, 2019, the Organization is in compliance with the restrictions.

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

	<u>2019</u>	<u>2018</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.	\$ 426,746	\$ 443,813
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 property at those sites.	342,222	361,238
Capital advance from the Washington State Department of Commerce with an original amount totaling \$1,616,875. The capital advances are due and payable if property is not used through August 2019 for the co-location of services to serve children who have been abused. The property is secured and restricted to be used as a child advocacy center.	27,031	189,228
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.	121,000	125,000
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.	116,277	119,413

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

Note 9 - Continued

	<u>2019</u>	<u>2018</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.	90,770	100,672
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.	93,653	96,179
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.	69,111	70,975
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.	46,767	51,367
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.	49,000	50,272
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.	47,716	49,306
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 property at those sites.	46,910	48,585

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 9 - Continued

	<u>2019</u>	<u>2018</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.	40,638	43,393
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.	40,070	41,535
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.	<u>25,765</u>	<u>27,840</u>
	<u><u>\$ 1,583,676</u></u>	<u><u>\$ 1,818,816</u></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 \$1,684,179 and \$1,355,447 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.

Interpretation of Relevant Law - The Organization has interpreted the Washington State Prudent Management of Institutional Funds Act (PMIFA) as making it 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, 2019
(With Comparative Totals for 2018)**

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, 2019 and 2018, no such deficiencies existed.

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

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>		<u>2019 Total</u>	<u>2018 Total</u>
		<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>		
Endowment to fund operating reserves	\$ -	\$ 605,141	\$ 286,488	\$ 605,141	\$ 886,431

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions		2019 Total	2018 Total
		Accumulated Earnings	Endowment Corpus		
Endowment net assets beginning of year	\$ -	\$ 599,943	\$ 286,488	\$ 886,431	\$ 828,927
Investment returns		5,198		5,198	57,504
Endowment Net Assets, End of Year	\$ -	\$ 605,141	\$ 286,488	\$ 891,629	\$ 886,431

Note 12 - Leases

Operating Lease - The Organization leases facilities under cancelable and noncancelable lease agreements. The facilities are mostly leased on a month-to-month basis with governmental and not-for-profit organizations. Future minimum lease payments under noncancelable leases are as follows:

For the Year Ending June 30,

2020	\$ 470,779
2021	416,318
2022	401,121
2023	310,063
2024	226,949
Thereafter	643,805
Total Minimum Future Rental Payments	\$ 2,469,035

For the years ended June 30, 2019 and 2018, rental expense under these arrangements was \$1,671,194 and \$1,261,187, respectively.

Capital Leases - The Organization acquired equipment and software licenses under capital lease arrangements extending through 2025 with a combined capitalized cost and accumulated depreciation of \$2,088,218 and \$730,571, respectively at June 30, 2019.

COMPASS HEALTH AND SUBSIDIARIES

Notes to Consolidated Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

Note 12 - Continued

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of the net minimum lease payments as follows:

For the Year Ending June 30,

2020	\$ 784,598
2021	564,723
2022	249,742
2023	47,223
2024	39,763
Thereafter	<u>5,825</u>
Total minimum lease payments	1,691,874
Less amount representing interest	<u>(81,969)</u>
Present value of net minimum lease payments	1,609,905
Less current portion	<u>(736,520)</u>
	<u><u>\$ 873,385</u></u>

Contributed Facilities - The Organization leases a facility located in Bellingham, Washington from Whatcom County expiring in 2020 with an option to renew for four (4) consecutive three year periods. Under terms of the lease, the Organization shall pay Whatcom County \$10 annually. The difference between the fair market value of the lease and the required payments is considered contributed facilities.

The Organization has reported the value of the contributed lease commitments from Whatcom County as a receivable on the consolidated statement of financial position. The facility contribution receivable, discounted to present value, recorded at June 30, 2019 was \$193,179.

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 a committed line of credit of the lessor of 75% of the Organization's eligible accounts receivable or \$10 million, which it could draw upon. See Note 7 for further description of this line.

COMPASS HEALTH AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)**

Note 13 - Continued

The Organization's financial assets available within one year of the statement of financial position date for general expenditure were as follows at June 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,351,637	\$ 4,567,645
Deposits held in trust	920,691	976,934
Accounts receivable, net of allowance	6,658,992	5,981,471
Grants and contracts receivable, net of allowance	590,790	855,091
Other receivables	136,212	149,575
Restricted deposits and funded reserves	125,418	287,768
Investments	<u>1,142,705</u>	<u>886,431</u>
Total financial assets	11,926,445	13,704,915
Less those unavailable for general expenditures within one year, due to- Contractual or donor-imposed restrictions:		
Endowment funds	(891,629)	(886,431)
Restricted for acquisition of fixed assets or secure the future fund	(18,036)	(37,139)
Contractually restricted to fund reserves	(125,418)	(287,768)
Legally restricted deposits held in trust	<u>(920,691)</u>	<u>(976,934)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 9,970,671</u>	<u>\$ 11,516,643</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 - Broadway Campus Redevelopment

During the year ended June 30, 2018, Compass Health formed Compass Health Broadway PSH, LLLP as a limited liability limited partnership for the purpose of developing an 82-unit permanent supportive housing complex on a portion of the Broadway Campus. As of June 30, 2019, Compass Health had included in projects in process approximately \$726,027 of costs associated with the development of the project. As of June 30, 2019, Compass Health has received awards totaling approximately \$24,742,764 to partially fund the development. Subsequent to June 30, 2019, Compass Health expects to enter into architectural and construction commitments approximating \$18,658,249.

SUPPLEMENTARY INFORMATION

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Assets
June 30, 2019
(With Comparative Totals for 2018)

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated 2019 Total	Consolidated 2018 Total
Assets												
Current Assets:												
Cash and cash equivalents	\$ 1,758,711	\$ 18,377	\$ 551,302	\$ -	\$ 2,001	\$ 13,435	\$ 4,492	\$ 3,319	\$ 2,351,637	\$ -	\$ 2,351,637	\$ 4,567,645
Deposits held in trust	909,330				2,503	1,845	3,790	3,223	920,691		920,691	976,934
Accounts receivable, net	6,657,288					467	1,237		6,658,992		6,658,992	5,981,471
Grants and contracts receivable, net	579,973	1,124	62,174		18,681			1,843	663,795	(73,005)	590,790	855,091
Current portion of facility contribution receivable	193,179								193,179		193,179	187,476
Other receivables	82,301		54,210						136,511	(299)	136,212	149,575
Current portion of notes receivable	71,875								71,875	(71,875)		
Prepaid expenses and other current assets	712,678	5,632	28,079		592				746,981	(20,059)	726,922	611,375
Total Current Assets	10,965,335	25,133	695,765		23,777	15,747	9,519	8,385	11,743,661	(165,238)	11,578,423	13,329,567
Restricted deposits and funded reserves	7,500				42,338	35,882	26,041	13,657	125,418		125,418	287,768
Facility contribution receivable, less current portion												193,179
Investments			251,076						251,076		251,076	
Investments limited as to use	891,629								891,629		891,629	886,431
Beneficial interest in trust	11,229								11,229		11,229	10,579
Property and equipment, net	14,801,863	1,644,741	3,716,729		2,287,902	533,827	492,986	932,579	24,410,627		24,410,627	24,570,877
Notes receivable, less current portion	292,388								292,388	(292,388)		
Inter-agency accounts	99,871								99,871	(99,871)		
Total Assets	\$ 27,069,815	\$ 1,669,874	\$ 4,663,570	\$ -	\$ 2,354,017	\$ 585,456	\$ 528,546	\$ 954,621	\$ 37,825,899	\$ (557,497)	\$ 37,268,402	\$ 39,278,401

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Financial Position - Liabilities and Net Assets
June 30, 2019
(With Comparative Totals for 2018)

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated 2019 Total	Consolidated 2018 Total
Liabilities, Net Assets and Equity												
Current Liabilities:												
Accounts payable	\$ 1,872,704	\$ -	\$ 65,361	\$ -	164,141	\$ 5,537	\$ 61,512	\$ 52,041	\$ 2,221,296	\$ (296,190)	\$ 1,925,106	\$ 748,930
Accrued liabilities	4,586,336		2,877		298		5,500	3,465	4,598,476	(1,482)	4,596,994	3,805,355
Deferred revenue	184,915	20,000				8	255		205,178	(20,000)	185,178	1,960,045
Deposits held in trust	909,330				2,699	1,845	3,790	3,223	920,887		920,887	976,934
Current portion of capital lease obligations	736,520								736,520		736,520	602,796
Current portion of long-term debt	270,697		35,803				31,497	20,986	358,983		358,983	377,756
Total Current Liabilities	8,560,502	20,000	104,041		167,138	7,390	102,554	79,715	9,041,340	(317,672)	8,723,668	8,471,816
Capital lease obligations, less current portion	873,385								873,385		873,385	784,474
Long-term debt, less current portion	2,721,114		1,010,580		1,041,820	217,388	773,723	431,839	6,196,464	(364,264)	5,832,200	6,365,515
Total Liabilities	12,155,001	20,000	1,114,621		1,208,958	224,778	876,277	511,554	16,111,189	(681,936)	15,429,253	15,621,805
Net Assets and Equity:												
Without donor restrictions-												
Controlling interest	11,970,671	1,649,874	3,386,382			(28,456)	(347,731)	417,302	17,048,042	224,358	17,272,400	18,456,056
Noncontrolling interest										1,045,140	1,045,140	1,361,894
Total without donor restrictions	11,970,671	1,649,874	3,386,382			(28,456)	(347,731)	417,302	17,048,042	1,269,498	18,317,540	19,817,950
With donor restrictions	2,944,143		162,567			389,134		25,765	3,521,609		3,521,609	3,838,646
Total net assets	14,914,814	1,649,874	3,548,949			360,678	(347,731)	443,067	20,569,651	1,269,498	21,839,149	23,656,596
Owners' equity					1,145,059				1,145,059	(1,145,059)		
Total Net Assets and Equity	14,914,814	1,649,874	3,548,949		1,145,059	360,678	(347,731)	443,067	21,714,710	124,439	21,839,149	23,656,596
Total Liabilities, Net Assets and Equity	\$ 27,069,815	\$ 1,669,874	\$ 4,663,570	\$ -	\$ 2,354,017	\$ 585,456	\$ 528,546	\$ 954,621	\$ 37,825,899	\$ (557,497)	\$ 37,268,402	\$ 39,278,401

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated Total 2019	Consolidated Total 2018
Operating Activities												
Public Support and Revenue Without Donor Restrictions:												
Net patient service revenue	\$ 36,090,448	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,090,448	\$ -	\$ 36,090,448	\$ 32,193,083
Capitation revenue	30,568,599								30,568,599		30,568,599	27,110,878
Contributions and grants	4,072,295		789,728		41,623				4,903,646		4,903,646	4,922,418
In-kind contributions	11,356		66,600						77,956		77,956	271,081
Rental revenue	745,315	100,793	200,896	58,672	87,079	128,589	268,231	157,108	1,746,683	(115,109)	1,631,574	1,614,244
Consultation revenue	856,772								856,772	(734,516)	122,256	86,291
In-kind transfer of assets	266,186								266,186	(266,186)		
Other			16,913			1,721	3,525		22,159		22,159	13,518
Total Support and Revenue Without Donor Restrictions	72,610,971	100,793	1,074,137	58,672	128,702	130,310	271,756	157,108	74,532,449	(1,115,811)	73,416,638	66,211,513
Net assets released from restriction	487,081		121,670						608,751		608,751	393,359
Total Support, Revenue, and Releases Without Donor Restrictions	73,098,052	100,793	1,195,807	58,672	128,702	130,310	271,756	157,108	75,141,200	(1,115,811)	74,025,389	66,604,872
Expenses:												
Program services-												
Crisis response	10,594,638	9,883							10,604,521	(22,768)	10,581,753	10,085,476
Mental health outpatient	26,489,883	142,460							26,632,343	(92,342)	26,540,001	23,871,675
Residential treatment	3,877,527								3,877,527		3,877,527	3,485,652
Housing	1,683,736	335		103,881	276,160	75,653	189,880	168,069	2,497,714	(108,393)	2,389,321	2,208,145
Inpatient	5,836,525								5,836,525		5,836,525	3,939,023
Intensive outpatient	7,789,295	26,084							7,815,379		7,815,379	4,692,694
Psychiatry	4,924,635	8,860							4,933,495		4,933,495	4,491,323
Other program services	1,285,936	1,599	912,061						2,199,596	(502,356)	1,697,240	3,835,438
Total program services	62,482,175	189,221	912,061	103,881	276,160	75,653	189,880	168,069	64,397,100	(725,859)	63,671,241	56,609,426
Supporting services-												
Management and general	9,544,985	20,183	87,393						9,753,712	(52,908)	9,700,804	7,179,327
Information services	1,211,334	4,120							1,215,454		1,215,454	1,453,516
Fundraising	722,809	1,342	173,278						897,429	(96,438)	800,991	634,192
Total supporting services	11,479,128	25,645	260,671			37,650	63,501		11,866,595	(149,346)	11,717,249	9,267,035
Total Expenses	73,961,303	214,866	1,172,732	103,881	276,160	113,303	253,381	168,069	76,263,695	(875,205)	75,388,490	65,876,461
Change in Net Assets Without Donor Restrictions From Operating Activities	(863,251)	(114,073)	23,075	(45,209)	(147,458)	17,007	18,375	(10,961)	(1,122,495)	(240,606)	(1,363,101)	728,411

See independent auditor's report.

COMPASS HEALTH AND SUBSIDIARIES

Consolidating Statement of Activities (Continued)
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	Compass Health	College Hill Consociation	Child Advocacy Center of Snohomish Co. at Dawson Place	Marysville Studio Apartments	Milwaukee Park Apartments	Counterpoint Commons	Mental Health Services of Snohomish County II	Harmony House North	Subtotal	Eliminations	Consolidated Total 2019	Consolidated Total 2018
Nonoperating Activities Without Donor Restrictions												
Dividends and interest	\$ 13,503	\$ 2	\$ -	\$ 89	\$ 355	\$ -	\$ -	\$ 32	\$ 13,981	\$ -	\$ 13,981	\$ 10,165
Loss on disposal of fixed assets	(388,764)				(6,795)		(9,974)		(405,533)		(405,533)	(131,443)
Loss on transfer of property				(527,808)					(527,808)	527,808		
Release of restricted net assets related to long-term assets	50,181		181,299			20,688		2,075	254,243		254,243	373,271
Change in Net Assets Without Donor Restrictions From Nonoperating Activities	(325,080)	2	181,299	(527,719)	(6,440)	20,688	(9,974)	2,107	(665,117)	527,808	(137,309)	251,993
Change in Net Assets Without Donor Restrictions	(1,188,331)	(114,071)	204,374	(572,928)	(153,898)	37,695	8,401	(8,854)	(1,787,612)	287,202	(1,500,410)	980,404
Net Asset With Donor Restrictions												
Contributions for program services	435,933		104,826						540,759		540,759	605,529
In-kind rent contribution												380,655
Dividends and interest	18,178								18,178		18,178	28,043
Realized and unrealized investment (losses) gains	(12,980)								(12,980)		(12,980)	29,461
Release of restricted net assets	(537,262)		(302,969)			(20,688)		(2,075)	(862,994)		(862,994)	(766,630)
Change in Net Assets With Donor Restriction	(96,131)		(198,143)			(20,688)		(2,075)	(317,037)		(317,037)	277,058
Change in Net Assets Before Noncontrolling Interest	(1,284,462)	(114,071)	6,231	(572,928)	(153,898)	17,007	8,401	(10,929)	(2,104,649)	287,202	(1,817,447)	1,257,462
Noncontrolling interest in net losses of subsidiaries										198,958	198,958	163,654
Change in Net Assets Excluding Noncontrolling Interest	\$ (1,284,462)	\$ (114,071)	\$ 6,231	\$ (572,928)	\$ (153,898)	\$ 17,007	\$ 8,401	\$ (10,929)	\$ (2,104,649)	\$ 486,160	\$ (1,618,489)	\$ 1,421,116

See independent auditor's report.