



Financial Statements
June 30, 2020 and 2019

Northern Arizona Healthcare Foundation

Northern Arizona Healthcare Foundation

Table of Contents

June 30, 2020 and 2019

Independent Auditor’s Report	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



Independent Auditor's Report

To the Board of Directors
Northern Arizona Healthcare Foundation
Flagstaff, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Arizona Healthcare Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Arizona Healthcare Foundation as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Phoenix, Arizona
November 19, 2020

Northern Arizona Healthcare Foundation
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 4,640,744	\$ 6,231,306
Promises to give, net of discount	1,185,505	3,713,919
Other receivables	2,194	17,988
Investments	36,545,823	36,807,983
Prepaid expenses and other assets	99,551	118,183
Total assets	\$ 42,473,817	\$ 46,889,379
Liabilities and Net Assets		
Accounts payable	\$ 360,143	\$ 452,019
Accrued expenses	297,384	304,456
Refundable advances	46,808	64,273
Deferred compensation	191,711	251,087
Grants payable	147,970	54,822
Due to Northern Arizona Healthcare Corporation	-	609,664
Total liabilities	1,044,016	1,736,321
Net Assets		
Without donor restrictions		
Board-designated	2,474,411	5,792,087
Undesignated	4,247,682	5,189,359
	6,722,093	10,981,446
With donor restrictions	34,707,708	34,171,612
Total net assets	41,429,801	45,153,058
Total liabilities and net assets	\$ 42,473,817	\$ 46,889,379

Northern Arizona Healthcare Foundation

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue, Support, and Gains			
Contributions	\$ 400,837	\$ 3,006,811	\$ 3,407,648
Gifts in kind	172,856	-	172,856
Net investment return	373,821	1,178,497	1,552,318
Other income and support	61,868	-	61,868
Net assets released from restrictions	3,649,212	(3,649,212)	-
Total revenue, support, and gains	<u>4,658,594</u>	<u>536,096</u>	<u>5,194,690</u>
Expenses			
Program	6,514,496	-	6,514,496
Management and general	957,001	-	957,001
Fundraising	1,446,450	-	1,446,450
Total expenses	<u>8,917,947</u>	<u>-</u>	<u>8,917,947</u>
Change in Net Assets	<u>(4,259,353)</u>	<u>536,096</u>	<u>(3,723,257)</u>
Net Assets, Beginning of Year	<u>10,981,446</u>	<u>34,171,612</u>	<u>45,153,058</u>
Net Assets, End of Year	<u>\$ 6,722,093</u>	<u>\$ 34,707,708</u>	<u>\$ 41,429,801</u>

Northern Arizona Healthcare Foundation

Statements of Activities

Years Ended June 30, 2020 and 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Contributions	\$ 627,931	\$ 2,471,570	\$ 3,099,501
Gifts in kind	70,322	-	70,322
Net investment return	592,521	1,874,411	2,466,932
Other income and support	89,744	-	89,744
Net assets released from restrictions	3,168,350	(3,168,350)	-
Total revenue, support, and gains	<u>4,548,868</u>	<u>1,177,631</u>	<u>5,726,499</u>
Expenses			
Program	4,711,281	-	4,711,281
Management and general	1,141,783	-	1,141,783
Fundraising	1,315,850	-	1,315,850
Total expenses	<u>7,168,914</u>	<u>-</u>	<u>7,168,914</u>
Change in Net Assets	<u>(2,620,046)</u>	<u>1,177,631</u>	<u>(1,442,415)</u>
Net Assets, Beginning of Year	<u>13,601,492</u>	<u>32,993,981</u>	<u>46,595,473</u>
Net Assets, End of Year	<u>\$ 10,981,446</u>	<u>\$ 34,171,612</u>	<u>\$ 45,153,058</u>

Northern Arizona Healthcare Foundation
 Statements of Functional Expenses
 Years Ended June 30, 2020 and 2019

	2020			
	Program Expenses	Management and General	Fundraising	Total
Grants and Other Assistance	\$ 6,112,979	\$ -	\$ -	\$ 6,112,979
Salaries and Benefits	378,403	554,435	1,077,223	2,010,061
Event Expense	-	-	132,938	132,938
Occupancy	8,359	18,081	28,938	55,378
Professional Services	13,572	271,998	53,370	338,940
Printing	874	30	9,200	10,104
Information Technologies	-	183	93,395	93,578
Travel and Development	-	-	8,008	8,008
Other	309	112,274	43,378	155,961
	\$ 6,514,496	\$ 957,001	\$ 1,446,450	\$ 8,917,947

Northern Arizona Healthcare Foundation

Statements of Functional Expenses
Years Ended June 30, 2020 and 2019

	2019			
	Program Expenses	Management and General	Fundraising	Total
Grants and Other Assistance	\$ 4,540,342	\$ -	\$ -	\$ 4,540,342
Salaries and Benefits	161,636	760,640	979,325	1,901,601
Event Expense	-	-	139,546	139,546
Occupancy	6,004	16,526	31,509	54,039
Professional Services	-	227,673	-	227,673
Printing	-	7,660	-	7,660
Information Technologies	-	-	65,826	65,826
Travel and Development	56	930	8,494	9,480
Depreciation	-	6,661	-	6,661
Other	3,243	121,693	91,150	216,086
	<u>\$ 4,711,281</u>	<u>\$ 1,141,783</u>	<u>\$ 1,315,850</u>	<u>\$ 7,168,914</u>

Northern Arizona Healthcare Foundation

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ (3,723,257)	\$ (1,442,415)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Realized and unrealized gain on investments	(355,174)	(1,197,794)
Change in present value of discount on promises to give	30,091	(51,501)
Contributions restricted to endowment	-	(1,315,213)
Depreciation	-	6,661
Changes in operating assets and liabilities		
Promises to give	2,498,323	(620,619)
Other receivables	15,794	(17,988)
Prepaid expenses and other assets	18,632	(103,183)
Accounts payable	(91,876)	269,520
Accrued expenses	(7,072)	72,181
Refundable advances	(17,465)	12,988
Deferred compensation	(59,376)	122,220
Grants payable	93,148	(151,799)
Due to Northern Arizona Healthcare Corporation	(609,664)	(1,203,727)
Net Cash used for Operating Activities	<u>(2,207,896)</u>	<u>(5,620,669)</u>
Investing Activities		
Proceeds from sales of investments	3,090,000	-
Purchases of investments	(2,472,666)	(1,062,433)
Net Cash from (used for) Investing Activities	<u>617,334</u>	<u>(1,062,433)</u>
Financing Activities		
Collections of contributions restricted to endowment	-	1,315,213
Net Cash from Financing Activities	<u>-</u>	<u>1,315,213</u>
Net Change in Cash and Cash Equivalents	(1,590,562)	(5,367,889)
Cash and Cash Equivalents, Beginning of Year	<u>6,231,306</u>	<u>11,599,195</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,640,744</u>	<u>\$ 6,231,306</u>

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

Northern Arizona Healthcare Foundation (the Foundation) is an Arizona nonprofit organization organized and operated exclusively for charitable, religious, scientific, literary, and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The mission of the Foundation is to support Northern Arizona Healthcare Corporation (NAH), while advancing community health care priorities.

Cash and Cash Equivalents

The Foundation considers all cash and highly-liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly-liquid financial instruments restricted to the permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

Promises to Give

The Foundation records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Allowance for uncollectable promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2020 and 2019, no allowance on promises to give was considered necessary.

Office Equipment

Office equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Office equipment was fully depreciated in the year ended June 30, 2020.

The carrying values of office equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue from investment activities, management fees, other fees and charges, and noncontribution related revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2020 and 2019, conditional contributions totaling \$46,808 and \$64,273, respectively, for which amounts have been received in advance, are included as refundable advances on the statements of financial position.

Gifts in Kind

Contributed goods are recorded at fair value as support without donor restrictions at the date of donation. All donated goods were used in program activities.

Advertising Costs

Advertising costs are expensed as incurred, and were \$1,216 and \$9,735 during the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis, as well as salaries and benefits, travel and development and other, which are allocated based on estimates of time and effort.

Income Taxes

The Foundation is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Foundation is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the Foundation has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from NAH, and organizations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Change in Accounting Policy

FASB has issued Accounting Standards Update (ASU) 2014-09 (Topic 606), *Revenue from Contracts with Customers*, which, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. As of July 1, 2019, the Foundation has implemented this standard on a modified retrospective basis and has determined that the adoption does not have an impact on the revenue recognition for the Foundation.

FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and accounting guidance for contributions received and contribution made. This standard assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. As of July 1, 2019, the Foundation has implemented the provisions of ASU 2018-08 on a modified prospective basis applicable to contributions received and has determined that this standard does not have an impact on the Foundation.

Subsequent Events

The Foundation has evaluated subsequent events through November 19, 2020, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets at June 30, 2020 and 2019 available to meet cash needs for general expenditures within one year of the statement of financial position date are comprised of the following, which are free of internal and external restrictions:

	2020	2019
Cash and cash equivalents	\$ 4,640,744	\$ 6,231,306
Other receivables	2,194	17,988
Current portion of promises to give without donor restriction	657,075	932,455
	<u>\$ 5,300,013</u>	<u>\$ 7,181,749</u>

The Foundation considers assets whose use is not limited to be available within one year for general expenditures. An exception are the Foundation's Board Designated assets of \$2,474,411 and \$5,792,087 at June 30, 2020 and 2019, respectively. These assets could be liquidated and funds received within one year. However, these assets have historically remained invested in the Foundation's investment portfolio. There are no immediate plans to liquidate any of these funds for general expenditures.

On a regular basis the Foundation calculates the amount of its unrestricted cash and investments that are available within certain time frames. As of June 30, 2020 and 2019, all of the Foundation's unrestricted cash and cash equivalents were available in two business days or less.

Note 3 - Fair Value of Assets and Liabilities

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

All investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2020:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Money market	\$ 17,818	\$ 17,818	\$ -	\$ -
U.S. equities	16,222,801	16,222,801	-	-
U.S. corporate fixed- income funds	7,248,788	7,248,788	-	-
International stock funds	9,948,508	9,948,508	-	-
Global real estate funds	3,107,908	3,107,908	-	-
Total investments	<u>\$ 36,545,823</u>	<u>\$ 36,545,823</u>	<u>\$ -</u>	<u>\$ -</u>

Northern Arizona Healthcare Foundation

Notes to Financial Statements

June 30, 2020 and 2019

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds				
Money market	\$ 1,719,012	\$ 1,719,012	\$ -	\$ -
U.S. equities	15,392,671	15,392,671	-	-
U.S. corporate fixed- income funds	6,660,898	6,660,898	-	-
International stock funds	9,648,666	9,648,666	-	-
Global real estate funds	3,386,736	3,386,736	-	-
Total investments	<u>\$ 36,807,983</u>	<u>\$ 36,807,983</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 1,211,970	\$ 1,282,949
Net realized and unrealized gain	355,174	1,197,794
Less investment management and custodial fees	(14,826)	(13,811)
	<u>\$ 1,552,318</u>	<u>\$ 2,466,932</u>

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2020 and 2019:

	2020	2019
Within one year	\$ 657,075	\$ 2,590,424
In one to five years	547,012	1,172,168
	<u>1,204,087</u>	<u>3,762,592</u>
Less discount to present value at 2.73%	(18,582)	(48,673)
	<u>\$ 1,185,505</u>	<u>\$ 3,713,919</u>

At June 30, 2020 and 2019, one donor accounted for approximately 99% of gross promises to give. One donor accounted for approximately 41% and 62% of total contribution revenue for the years ended June 30, 2020 and 2019, respectively. All promises to give received during the years ended June 30, 2020 and 2019 were either purpose restricted or time restricted and were reported as restricted contributions.

Note 6 - Endowments

The Foundation's endowment (the Endowment) consists of one fund established by NAH to provide annual funding for specific activities. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restriction, unless there are explicit donor stipulations to the contrary.

At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, net assets with donor restrictions are classified at (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the endowment with donor restriction is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- The duration and preservation of the fund
- The purposes of the organization and the endowment fund with donor restriction
- 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
- The investment policies of the organization

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment	<u>\$ -</u>	<u>\$ 26,427,428</u>	<u>\$ 26,427,428</u>

The Foundation had the following endowment net asset composition by type of fund as of June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment	<u>\$ -</u>	<u>\$ 27,201,322</u>	<u>\$ 27,201,322</u>

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration (underwater endowments). Deficiencies of this nature are reported in net assets with donor restriction. As of June 30, 2020 and 2019, the Foundation had no funds with a deficiency.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the pooled investment portfolio fund, including the endowment fund, that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the pooled investment portfolio assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of fund assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the pooled investment portfolio investments. The target minimum rate of return is the Consumer Price Index plus 5% on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are investment to seek growth of principal over time.

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the endowment investments for the prior 12 quarters at June 30 of each year to determine the spending amount for the upcoming year. During fiscal years 2020 and 2019, the spending rate maximum was 7.0%. In establishing this policy, the Board of Directors considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

All net assets with donor restriction contributions are in an investment pool. Appreciation, depreciation, income, and expense relative to the pooled endowment investments are allocated to the endowment based upon the ratio of the endowment's investment balance to the total investment pool and are shown as a change in net assets with donor restrictions net assets.

Northern Arizona Healthcare Foundation

Notes to Financial Statements

June 30, 2020 and 2019

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 27,201,322	\$ 27,201,322
Investment return, net	-	1,047,402	1,047,402
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,821,296)	(1,821,296)
Endowment net assets, end of year	\$ -	\$ 26,427,428	\$ 26,427,428

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 25,708,936	\$ 25,708,936
Investment return, net	-	1,668,446	1,668,446
Contributions		1,315,213	1,315,213
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,491,273)	(1,491,273)
Endowment net assets, end of year	\$ -	\$ 27,201,322	\$ 27,201,322

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose		
Clinical services	\$ 3,105,218	\$ 3,129,043
Facilities	12,665	15,162
Patient and family services and colleague support	2,390,183	507,483
Research and education	1,507,857	1,470,070
Volunteer services	136,311	124,391
Community health needs	599,616	600,646
	<u>7,751,850</u>	<u>5,846,795</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs	2,357,657	3,131,551
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Support of NAH and quality of healthcare	<u>24,069,771</u>	<u>24,069,771</u>
Time restrictions		
Promises to give, net of \$18,582 and \$48,673 discount, respectively	<u>528,430</u>	<u>1,123,495</u>
	<u>\$ 34,707,708</u>	<u>\$ 34,171,612</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Clinical services	\$ 323,656	\$ 256,277
Facilities	4,893	8,599
Patient and family services and colleague support	435,616	101,602
Research and education	93,514	130,560
Volunteer services	7,985	21,262
Community support	337,096	299,187
Restricted-purpose spending-rate distributions and appropriations		
Support of NAH and quality of healthcare	1,907,117	1,795,734
Administrative fees	539,335	555,129
	<u>\$ 3,649,212</u>	<u>\$ 3,168,350</u>

Note 8 - Board Designated Net Assets

As of June 30, 2020 and 2019, the Foundation's Board has designated unrestricted net assets for the following:

	<u>2020</u>	<u>2019</u>
Williams Clinic construction	\$ -	\$ 3,230,653
Special events	1,866,345	1,981,697
Leadership fund for Healthcare Heroes	20,000	-
VVMC Cancer Center investments	<u>588,066</u>	<u>579,737</u>
	<u>\$ 2,474,411</u>	<u>\$ 5,792,087</u>

Note 9 - Related Party Transactions

The Foundation is party to a Shared Services and Facilities Agreement with NAH, by which NAH agreed to provide to the Foundation certain administrative, managerial, and accounting services, as well as facilities rent, telephone, internet, utilities, insurance, and other facilities-related costs to the Foundation. Further, the Shared Services Agreement calls for certain NAH personnel to be under the direction of the Foundation. In accordance with the agreement, the Foundation devotes significant efforts to raising financial support for the NAH Endowment Fund and the NAH Community Health Fund.

Transactions and balances with NAH as of and for the year ended June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Transactions		
Endowment contribution	\$ -	\$ 1,384,435
Contribution without donor restriction	1,382,138	72,865
Contribution to VVMC Dr. Samuel Butman Cardiology Research Fund	<u>-</u>	<u>467,506</u>
Total contributions	<u>\$ 1,382,138</u>	<u>\$ 1,924,806</u>
Grants and fund expenditures	<u>\$ 1,260,394</u>	<u>\$ 471,210</u>
Expenses for support services	<u>\$ 1,751,350</u>	<u>\$ 1,684,345</u>
Balances		
Promise to give, net of present value discount of \$18,582 and \$48,673	<u>\$ 1,165,505</u>	<u>\$ 3,712,619</u>
Payable	<u>\$ -</u>	<u>\$ 609,664</u>