



Financial Statements
June 30, 2021 and 2020

Health First Foundation - Northern Arizona

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Independent Auditor's Report

To the Board of Directors
Health First Foundation - Northern Arizona
Flagstaff, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Health First Foundation - Northern Arizona (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 Health First Foundation - Northern Arizona as of June 30, 2021 and 2020, 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 Bailly LLP".

Phoenix, Arizona

January 5, 2022

Health First Foundation - Northern Arizona
 Statements of Financial Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,203,336	\$ 4,640,744
Promises to give, net of discount	933,580	1,185,505
Other receivables	886	2,194
Investments	48,282,923	36,545,823
Real estate held for sale	1,920,000	-
Land held for investment	610,000	-
Office equipment, net of accumulated depreciation of \$36,851 and \$31,133, respectively	33,069	-
Prepaid expenses and other assets	36,228	99,551
Total assets	\$ 53,020,022	\$ 42,473,817
Liabilities and Net Assets		
Accounts payable	\$ 722,578	\$ 360,143
Accrued expenses	303,393	297,384
Refundable advances	16,500	46,808
Deferred compensation	225,146	191,711
Grants payable	344,705	147,970
Due to Northern Arizona Healthcare Corporation	-	-
Total liabilities	1,612,322	1,044,016
Net Assets		
Without donor restrictions		
Board-designated	382,602	2,474,411
Undesignated	9,083,149	4,247,682
	9,465,751	6,722,093
With donor restrictions	41,941,949	34,707,708
Total net assets	51,407,700	41,429,801
Total liabilities and net assets	\$ 53,020,022	\$ 42,473,817

Health First Foundation - Northern Arizona
 Statements of Activities
 Years Ended June 30, 2021 and 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenue, Support, and Gains			
Contributions	\$ 119,444	\$ 529,160	\$ 648,604
Gifts in kind	2,573,542	-	2,573,542
Net investment return	2,326,394	9,425,296	11,751,690
Other income and support	29,789	-	29,789
Net assets released from restrictions	2,720,215	(2,720,215)	-
Total revenue, support, and gains	<u>7,769,384</u>	<u>7,234,241</u>	<u>15,003,625</u>
Expenses			
Program	2,585,181	-	2,585,181
Management and general	1,405,764	-	1,405,764
Fundraising	1,034,781	-	1,034,781
Total expenses	<u>5,025,726</u>	<u>-</u>	<u>5,025,726</u>
Change in Net Assets	<u>2,743,658</u>	<u>7,234,241</u>	<u>9,977,899</u>
Net Assets, Beginning of Year	<u>6,722,093</u>	<u>34,707,708</u>	<u>41,429,801</u>
Net Assets, End of Year	<u>\$ 9,465,751</u>	<u>\$ 41,941,949</u>	<u>\$ 51,407,700</u>

Health First Foundation - Northern Arizona
 Statements of Activities
 Years Ended June 30, 2021 and 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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>

Health First Foundation - Northern Arizona

Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	2021			
	Program Expenses	Management and General	Fundraising	Total
Grants and Other Assistance	\$ 2,247,238	\$ -	\$ -	\$ 2,247,238
Salaries and Benefits	310,477	645,181	759,860	1,715,518
Event Expense	-	-	33,566	33,566
Occupancy	8,049	18,740	67,474	94,263
Professional Services	18,401	600,267	53,651	672,319
Printing	-	3,152	-	3,152
Information Technologies	-	26,420	77,303	103,723
Travel and Development	-	2,684	51	2,735
Depreciation	-	5,719	-	5,719
Other	1,016	103,601	42,876	147,493
	\$ 2,585,181	\$ 1,405,764	\$ 1,034,781	\$ 5,025,726

Health First Foundation - Northern Arizona

Statements of Functional Expenses
Years Ended June 30, 2021 and 2020

	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
Depreciation	-	-	-	-
Other	309	112,274	43,378	155,961
	\$ 6,514,496	\$ 957,001	\$ 1,446,450	\$ 8,917,947

Health First Foundation - Northern Arizona

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 9,977,899	\$ (3,723,257)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Realized and unrealized gain on investments	(10,410,413)	(355,174)
Change in present value of discount on promises to give	14,428	30,091
Donated real estate	(2,530,000)	-
Depreciation	5,719	-
Changes in operating assets and liabilities		
Promises to give	237,497	2,498,323
Other receivables	1,308	15,794
Prepaid expenses and other assets	63,323	18,632
Accounts payable	362,435	(91,876)
Accrued expenses	6,009	(7,072)
Refundable advances	(30,308)	(17,465)
Deferred compensation	33,435	(59,376)
Grants payable	196,735	93,148
Due to Northern Arizona Healthcare Corporation	-	(609,664)
Net Cash used for Operating Activities	(2,071,933)	(2,207,896)
Investing Activities		
Proceeds from sales of investments	4,016,000	3,090,000
Purchases of office equipment	(38,788)	-
Purchases of investments	(5,342,687)	(2,472,666)
Net Cash from (used for) Investing Activities	(1,365,475)	617,334
Net Change in Cash and Cash Equivalents	(3,437,408)	(1,590,562)
Cash and Cash Equivalents, Beginning of Year	4,640,744	6,231,306
Cash and Cash Equivalents, End of Year	\$ 1,203,336	\$ 4,640,744

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

Health First Foundation - Northern Arizona (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, 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, 2021 and 2020, 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.

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, 2021 and 2020.

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, 2021 and 2020, conditional contributions totaling \$16,500 and \$46,808, 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. Some donated goods were used in program activities. The Foundation received \$2,530,000 in donated real estate during the year ending June 30, 2021, which has been capitalized as real estate held for sale and land held for investment on the statement of financial position.

Advertising Costs

Advertising costs are expensed as incurred, and were \$18,163 and \$1,216 during the years ended June 30, 2021 and 2020, 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), qualifies 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.

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 Northern Arizona Healthcare Corporation, 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

The Foundation has adopted the provisions of Accounting Standard Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2020, the Foundation has implemented the provisions of ASU 2018-08 applicable to contributions made on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Foundation's financial statements.

Note 2 - Liquidity and Availability

Financial assets at June 30, 2021 and 2020 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:

	2021	2020
Cash and cash equivalents	\$ 1,203,336	\$ 4,640,744
Other receivables	886	2,194
Current portion of promises to give without donor restriction	781,445	657,075
	<u>\$ 1,985,667</u>	<u>\$ 5,300,013</u>

The Foundation considers assets whose use is not limited to be available within one year for general expenditures. An exception is the Foundation's Board Designated assets of \$382,602 and \$2,474,411 at June 30, 2021 and 2020, 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, 2021 and 2020, 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.

Mutual funds are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. Real estate held for sale and land held for investment are classified as Level 2 as the value is based on valuations of similar assets in the active market.

Health First Foundation - Northern Arizona

Notes to Financial Statements

June 30, 2021 and 2020

The following table presents assets measured at fair value on a recurring basis at June 30, 2021:

	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	\$ 17,065	\$ 17,065	\$ -	\$ -
U.S. equities	21,909,682	21,909,682	-	-
U.S. corporate fixed- income funds	7,845,284	7,845,284	-	-
International stock funds	14,668,403	14,668,403	-	-
Global real estate funds	3,842,489	3,842,489	-	-
Total investments	<u>\$ 48,282,923</u>	<u>\$ 48,282,923</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a nonrecurring basis at June 30, 2021:

	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)
Real estate held for sale	\$ 1,920,000	\$ -	\$ 1,920,000	\$ -
Land held for investment	610,000	-	610,000	-
	<u>\$ 2,530,000</u>	<u>\$ -</u>	<u>\$ 2,530,000</u>	<u>\$ -</u>

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

	Total	Active Markets for Identical Assets (Level 1)	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>

Note 4 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 1,357,291	\$ 1,211,970
Net realized and unrealized gains	10,410,413	355,174
Less investment management and custodial fees	<u>(16,014)</u>	<u>(14,826)</u>
	<u>\$ 11,751,690</u>	<u>\$ 1,552,318</u>

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Within one year	\$ 781,445	\$ 657,075
In one to five years	<u>156,289</u>	<u>547,012</u>
	937,734	1,204,087
Less discount to present value at 2.73%	<u>(4,154)</u>	<u>(18,582)</u>
	<u>\$ 933,580</u>	<u>\$ 1,185,505</u>

At June 30, 2021 and 2020 and one donor accounted for approximately 100% and 99%, respectively of gross promises to give. One donor accounted for approximately 41% of total contribution revenue for the year ended June 30, 2020.

Note 6 - Endowments

The Foundation's endowment (the Endowment) consists of one fund established by Northern Arizona Healthcare Corporation 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, 2021 and 2020, 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, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment	<u>\$ -</u>	<u>\$ 34,117,086</u>	<u>\$ 34,117,086</u>

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>\$ 26,640,220</u>	<u>\$ 26,640,220</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, 2021 and 2020, 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 2021 and 2020, 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.

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 26,640,220	\$ 26,640,220
Investment return, net	-	8,487,464	8,487,464
Appropriation of endowment assets pursuant to spending-rate policy	-	(1,010,598)	(1,010,598)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 34,117,086</u>	<u>\$ 34,117,086</u>

Health First Foundation - Northern Arizona

Notes to Financial Statements

June 30, 2021 and 2020

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	-	(1,608,504)	(1,608,504)
Endowment net assets, end of year	\$ -	\$ 26,640,220	\$ 26,640,220

Note 7 - Net Assets with Donor Restrictions

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

	2021	2020
Subject to Expenditure for Specified Purpose		
Clinical services	\$ 4,993,799	\$ 3,105,218
Facilities	6,345	12,665
Patient and family services and colleague support	1,989,075	2,390,183
Research and education	335,855	1,507,857
Volunteer services	142,252	136,311
Community health needs	205,190	386,824
	7,672,516	7,539,058
Endowments		
Subject to appropriation and expenditure when a specified event occurs	10,047,315	2,570,449
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation		
Support of NAH and quality of healthcare	24,069,771	24,069,771
	34,117,086	26,640,220
Time restrictions		
Promises to give, net of \$4,154 and \$18,582 discount, respectively	152,347	528,430
	\$ 41,941,949	\$ 34,707,708

Health First Foundation - Northern Arizona

Notes to Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020:

	2021	2020
Satisfaction of purpose restrictions		
Clinical services	\$ 177,946	\$ 323,656
Facilities	6,661	4,893
Patient and family services and colleague support	601,791	435,616
Research and education	15,344	93,514
Volunteer services	-	7,985
Community health needs	817,149	337,096
Restricted-purpose spending-rate distributions and appropriations		
Support of NAH and quality of healthcare	403,026	1,907,117
Administrative fees	698,298	539,335
	\$ 2,720,215	\$ 3,649,212

Note 8 - Board Designated Net Assets

As of June 30, 2021 and 2020, the Foundation's Board has designated unrestricted net assets for the following:

	2021	2020
Special events	\$ 144,956	\$ 1,866,345
Leadership fund for Healthcare Heroes	20,000	20,000
VVMC Cancer Center investments	-	588,066
Community Health	217,646	-
	\$ 382,602	\$ 2,474,411

Note 9 - Related Party Transactions

The Foundation is party to a Shared Services and Facilities Agreement with Northern Arizona Healthcare Corporation, by which Northern Arizona Healthcare Corporation 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 Northern Arizona Healthcare Corporation 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 Northern Arizona Healthcare Corporation Endowment Fund and the Northern Arizona Healthcare Corporation Community Health Fund.

As of January 30, 2021, the Shared Services and Facilities Agreement between Northern Arizona Healthcare Corporation and the Foundation was terminated.

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Notes to Financial Statements

June 30, 2021 and 2020

Transactions and balances with Northern Arizona Healthcare Corporation as of and for the years ended June 30, 2021 and 2020 consisted of the following:

	2021	2020
Transactions		
Contribution without donor restriction	\$ 34,120	\$ 1,382,138
Grants and fund expenditures	\$ 487,063	\$ 1,924,806
Expenses for support services	\$ 1,122,513	\$ 471,210
Balances		
Promise to give, net of present value discount of \$4,154 and \$18,582	\$ 933,580	\$ 1,165,505

Note 10 - Defined Contribution Employee Benefit Plan

The Foundation has a defined contribution plan covering substantially all employees. The plan was adopted during the year ended June 30, 2021. The plan provides that employees who have attained the age 21 and completed one year of service can voluntarily contribute a percentage of their earnings to the plan up to the maximum allowed per the Internal Revenue Code. Employer matching contributions are 100% of a participant's elective deferral up to 4% of compensation. The employer may also contribute discretionary contributions as approved by the Board of Directors. Total expense related to the plan for the year ended June 30, 2021 was \$59,119.

Note 11 - Leases

During the year ended June 30, 2021, the Foundation entered into long-term operating leases for office space and equipment.

Future minimum lease payments are as follows for the years ending June 30:

Years Ending June 30	Amount
2022	\$ 109,200
2023	115,200
	\$ 224,400

Total lease expense for the year ended June 30, 2021 was approximately \$103,000.

Note 12 - Commitments and Contingencies

The Foundation is involved in various legal actions. Management intends to vigorously defend all matters and believes the risk of a negative outcome to the Foundation is not probable at this time; therefore no provision has been made for any losses as of June 30, 2021.

Note 13 - Subsequent Events

The Foundation has evaluated subsequent events through January 5, 2022, the date the financial statements were available to be issued.

In August 2021, the Foundation sold the real estate held for sale for \$2,500,000. The Foundation financed the sale to the buyer on a note receivable of \$2,021,781 with an interest rate of 5%. Interest only payments are due monthly beginning September 2021. A principal reduction of approximately \$22,000 is due on August 2, 2022. All remaining principal and accrued interest is due in August 2024. The note is collateralized by a deed of trust.