

SOUTHWEST WASHINGTON ACCOUNTABLE
COMMUNITY OF HEALTH

Audited Financial Statements

For the Year Ended December 31, 2019



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Southwest Washington Regional Health Alliance DBA
Southwest Washington Accountable Community of Health

We have audited the accompanying financial statements of Southwest Washington Regional Health Alliance DBA Southwest Washington Accountable Community of Health (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 organization'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 organization'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 Southwest Washington Accountable Community of Health as of December 31, 2019, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McDonald Jacobson, P.C.

Portland, Oregon
July 9, 2020

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Cash and cash equivalents	\$ 3,169,402
Cash restricted by contract	21,153,191
Accounts and grants receivable	3,360,623
Prepaid expenses	<u>63,079</u>
 TOTAL ASSETS	 <u><u>\$ 27,746,295</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 3,962,946
Accrued expenses	<u>98,338</u>
Total liabilities	<u>4,061,284</u>
 Net assets:	
Without donor restrictions	23,649,861
With donor restrictions	<u>35,150</u>
Total net assets	<u>23,685,011</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 27,746,295</u></u>

See notes to financial statements.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue:			
Government contracts	\$ 12,931,762	\$ 170,130	\$ 13,101,892
Private and government grants	-	245,748	245,748
Interest income	109,546	-	109,546
Other income	10,675	-	10,675
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>448,626</u>	<u>(448,626)</u>	<u>-</u>
Total support and revenue	<u>13,500,609</u>	<u>(32,748)</u>	<u>13,467,861</u>
Expenses:			
Program services	12,448,360	-	12,448,360
Management and general	<u>970,064</u>	<u>-</u>	<u>970,064</u>
Total expenses	<u>13,418,424</u>	<u>-</u>	<u>13,418,424</u>
 Change in net assets	 82,185	 (32,748)	 49,437
Net assets:			
Beginning of year	<u>23,567,676</u>	<u>67,898</u>	<u>23,635,574</u>
 End of year	 <u>\$ 23,649,861</u>	 <u>\$ 35,150</u>	 <u>\$ 23,685,011</u>

See notes to financial statements.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Partner investments	\$ 10,296,991	\$ -	\$ 10,296,991
Salaries and related expenses	1,015,424	503,262	1,518,686
Professional fees	953,605	270,632	1,224,237
Information technology	80,901	100,166	181,067
Facilities and equipment	1,147	61,337	62,484
Office, printing, postage and supplies	22,827	18,680	41,507
Travel and meetings	74,281	10,130	84,411
Other operating costs	<u>3,184</u>	<u>5,857</u>	<u>9,041</u>
 Total expenses	 <u>\$ 12,448,360</u>	 <u>\$ 970,064</u>	 <u>\$ 13,418,424</u>

See notes to financial statements.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
STATEMENT OF CASH FLOWS
For the year ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 49,437
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
(Increase) decrease in:	
Accounts and grants receivable	(3,142,176)
Prepaid expenses	65,765
Increase (decrease) in:	
Accounts payable	3,846,989
Accrued expenses	51,825
Net cash flows from operating activities	<u>871,840</u>
Net change in cash and cash equivalents	871,840
Cash and cash equivalents - beginning of year	<u>23,450,753</u>
Cash and cash equivalents - end of year	<u><u>\$ 24,322,593</u></u>
Reconciliation to statement of financial position:	
Cash and cash equivalents	\$ 3,169,402
Cash restricted by contract	<u>21,153,191</u>
	<u><u>\$ 24,322,593</u></u>

See notes to financial statements.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. DESCRIPTION OF ORGANIZATION

Southwest Washington Regional Health Alliance DBA Southwest Washington Accountable Community of Health, (the Organization or SWACH), which includes the Healthy Living Collaborative, is a local nonprofit working to improve health in Southwest Washington. The Organization brings together community members and other experts to address the region's major health challenges through innovative partnerships and local resources creating lasting changes and a healthier future for everyone.

The Organization is one of nine organizations leading the state's Healthier Washington Initiative in their regions. These Accountable Communities of Health (ACHs) are building a healthier Washington that meets each communities' unique needs. The Organization's region includes Clark, Klickitat and Skamania Counties. In collaboration with another ACH, Cascade Pacific Action Alliance, SWACH also supports Cowlitz and Wahkiakum counties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed 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.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Cash Restricted by Contract

Funds received based on earned incentives from contracts under the Healthier Washington Medicaid Transformation Delivery System Reform Incentive Payment (DSRIP) are held in a separate bank account. While the funds have been earned and included in revenue, the funds are anticipated to be distributed to partner organizations for continued work in health care transformation. Also, see discussion under Revenue Recognition.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at December 31, 2019. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at December 31, 2019 will be immaterial.

Grants Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. At December 31, 2019, the Organization does not have property and equipment that meet the capitalization policy.

Income Tax Status

Southwest Washington Regional Health Alliance DBA Southwest Washington Accountable Community of Health is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Revenue Recognition

Contract revenues are recognized at the time the services are provided and the expenses are incurred. Funds received in advance of contractual obligations are recorded as deferred revenue in the accompanying statement of financial position until the Organization meets the obligations.

Contract revenues under the Healthier Washington Medicaid Transformation Delivery System Reform Incentive Payment (DSRIP) program are recognized upon the submission, and approval by an independent assessor, of the Organization's semi-annual report.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related costs, information technology, office, printing and supplies and certain other costs, which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Change in Accounting Principles

The Organization also implemented Accounting Standards Update 2018-08, *clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no impact to the Organization's revenue recognition for this change in accounting principle.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. The Organization has primarily cash and cash equivalents and accounts and grants receivable available for general expenditure.

Financial assets of the Organization consist of the following at December 31, 2019:

Cash and cash equivalents	\$ 24,322,593
Accounts and grants receivable	<u>3,360,623</u>
	27,683,216
Less amounts unavailable for general expenditure:	
Net assets with donor restrictions	(35,150)
Contract restrictions	<u>(21,153,191)</u>
Financial assets available for general expenditure	<u>\$ 6,494,875</u>

The Organization has restricted cash under its contract with the State of Washington Health Care Authority (HCA). As of December 31, 2019, the Organization has received but not distributed \$21,153,191 of HCA contract funds that are reported as restricted cash in the accompanying statement of financial position. These funds will be used for specific operating expenditures related to healthcare transformation projects, but the Organization does not consider the funds available for general expenditure.

4. CONTINGENCIES

Amounts received or receivable from various contracting agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. It is management's belief that no significant amounts received or receivable will be required to be returned in the future.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

5. LEASE COMMITMENT

The Organization leases an administrative office under an operating lease agreement expiring June 2021 with current monthly rent of \$2,751. Rent expense totaled approximately \$32,500 for the year ended December 31, 2019.

Future minimum lease commitments are as follows:

Year ending December 31, 2020	\$ 33,500
2021	<u>17,000</u>
Total	<u>\$ 50,500</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of expiring donor restriction for the Health Living Collaborative project.

7. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$2.9 million as of December 31, 2019.

The Organization's revenues are concentrated with 96% of total revenues coming from one entity during 2019. Approximately 97% of accounts and grants receivable at December 31, 2019 are due from one agency.

8. RETIREMENT PLAN

The Organization has a 401(k) deferred compensation plan covering substantially all employees meeting certain eligibility requirement. The Organization matches 100% of employee's elective deferrals up to 3% of eligible compensation. Employer contributions to the plan totaled approximately \$36,900 during 2019.

9. RELATED PARTY ACTIVITIES

Certain community partners where board members are currently employed are eligible to receive program assessments and incentives. Such organizations must meet the same criteria for funding as all other recipients.

SOUTHWEST WASHINGTON REGIONAL HEALTH ALLIANCE DBA
SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

10. SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through July 9, 2020, the date the financial statements were available to be issued.

Southwest Washington Accountable Community of Health and its community partners may be negatively impacted by the effects of the world wide COVID-19 pandemic. In response to the pandemic, the Organization has allocated approximately \$500,000 in emergency relief funds to support its community partners. The Organization is closely monitoring its operations, liquidity, and capital resources in order to actively minimize the impact of these disruptions. As of the date of issuance, the full impact to the Organization's financial position is not known.