

**HEALTHSPARK FOUNDATION
AND 2506, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)**



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HEALTHSPARK FOUNDATION AND 2506, LLC
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(WITH COMPARATIVE TOTALS FOR JUNE 30, 2020)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
HealthSpark Foundation
Board of Managers
2506, LLC
Colmar, Pennsylvania

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HealthSpark Foundation (a nonprofit organization) and 2506, LLC (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited HealthSpark Foundation's 2020 consolidated financial statements and 2506, LLC's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on such consolidated financial statements as a whole. The 2021 supplementary information as reflected in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
November 17, 2021

HEALTHSPARK FOUNDATION AND 2506, LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020)

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 468,607	\$ 538,428
Prepaid and Other Current Assets	334,203	239,333
Investments	42,151,152	36,303,288
Beneficial Interest in Remainder Trust	1,111,365	884,620
Other Investments	502,756	490,226
Beneficial Interest in Perpetual Trust	238,515	198,179
Property and Equipment, Net	5,156,555	5,335,028
Total Assets	\$ 49,963,153	\$ 43,989,102
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants Payable	\$ 355,000	\$ -
Accounts Payable and Accrued Expenses	125,100	102,715
Notes Payable, Net of Refinancing Fees	3,053,012	3,166,124
Deferred Tax Liability	132,689	48,223
Interest Rate Swap Liability	244,897	358,613
Security Deposits	13,530	13,530
Other Liabilities in Connection with North Penn Hospital	502,756	490,226
Total Liabilities	4,426,984	4,179,431
NET ASSETS		
Without Donor Restrictions		
Undesignated	43,920,854	38,461,437
Board-Designated	1,260	1,260
Total Net Assets Without Donor Restrictions	43,922,114	38,462,697
With Donor Restrictions	1,614,055	1,346,974
Total Net Assets	45,536,169	39,809,671
Total Liabilities and Net Assets	\$ 49,963,153	\$ 43,989,102

See accompanying Notes to Consolidated Financial Statements.

HEALTHSPARK FOUNDATION AND 2506, LLC
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE				
Interest and Dividends	\$ 66,958	\$ -	\$ 66,958	\$ 75,495
Income from Perpetual Trust	9,200	-	9,200	9,600
Rental	355,668	-	355,668	378,742
Contributions	3,323	-	3,323	3,323
Change in Beneficial Interest in Remainder Trust	-	226,745	226,745	49,241
Change in Beneficial Interest in Perpetual Trust	-	40,336	40,336	(4,384)
Net Realized and Unrealized Gains	7,657,572	-	7,657,572	1,381,446
Other Income	-	-	-	328
Total Revenue	<u>8,092,721</u>	<u>267,081</u>	<u>8,359,802</u>	<u>1,893,791</u>
EXPENSES				
Program Grants	1,082,350	-	1,082,350	487,320
Other Program Activities	1,216,044	-	1,216,044	1,307,376
Total Program Expenses	<u>2,298,394</u>	<u>-</u>	<u>2,298,394</u>	<u>1,794,696</u>
Management and General	417,805	-	417,805	281,693
Total Expenses	<u>2,716,199</u>	<u>-</u>	<u>2,716,199</u>	<u>2,076,389</u>
EXCESS OF REVENUE OVER EXPENSE	5,376,522	267,081	5,643,603	(182,598)
OTHER INCOME				
Change in Value of Interest Rate Swap	113,716	-	113,716	(48,640)
Net Operating Revenue	<u>5,490,238</u>	<u>267,081</u>	<u>5,757,319</u>	<u>(231,238)</u>
NONOPERATING EXPENSE				
North Penn Hospital Related Expenses	(30,821)	-	(30,821)	(80,974)
Total Nonoperating Expense	<u>(30,821)</u>	<u>-</u>	<u>(30,821)</u>	<u>(80,974)</u>
CHANGE IN NET ASSETS	5,459,417	267,081	5,726,498	(312,212)
Net Assets - Beginning of Year	<u>38,462,697</u>	<u>1,346,974</u>	<u>39,809,671</u>	<u>40,121,883</u>
NET ASSETS - END OF YEAR	<u>\$ 43,922,114</u>	<u>\$ 1,614,055</u>	<u>\$ 45,536,169</u>	<u>\$ 39,809,671</u>

See accompanying Notes to Consolidated Financial Statements.

HEALTHSPARK FOUNDATION AND 2506, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,726,498	\$ (312,212)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	205,545	207,286
Net Realized and Unrealized Gain on Investments	(7,657,572)	(1,381,446)
Change in Beneficial Interest in Remainder Trust	(226,745)	(49,241)
Change in Beneficial Interest in Perpetual Trust	(40,336)	4,384
Change in Value of Interest Rate Swap	(113,716)	48,640
Increase in:		
Prepaid and Other Current Assets	(94,870)	(204,388)
Increase (Decrease) in:		
Grants Payable	355,000	(50,000)
Accounts Payable and Accrued Expenses	22,385	19,938
Deferred Tax Liability	84,466	29,307
Security Deposit		(1,201)
Other Liabilities	12,530	(7,578)
Net Cash Used by Operating Activities	<u>(1,726,815)</u>	<u>(1,696,511)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(27,072)	(67,852)
Purchases of Investments	(23,470,121)	(14,064,599)
Proceeds from Sale of Investments	25,279,829	16,093,579
Increase (Decrease) in Other Investments	(12,530)	7,578
Net Cash Provided by Investment Activities	<u>1,770,106</u>	<u>1,968,706</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on Notes Payable	<u>(113,112)</u>	<u>(109,084)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(69,821)	163,111
Cash and Cash Equivalents - Beginning of Year	<u>538,428</u>	<u>375,317</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 468,607</u>	<u>\$ 538,428</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 117,162</u>	<u>\$ 111,361</u>

See accompanying Notes to Consolidated Financial Statements.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The consolidated financial statements include the accounts of HealthSpark Foundation (the Foundation) and 2506, LLC. 2506, LLC is a Pennsylvania single-member limited liability company owned by the Foundation.

The Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and is classified as a private foundation in accordance with the IRC. The Foundation is the successor to North Penn Hospital.

In 2018-2020 the Foundation adopted an updated strategic plan and mission, vision, and set of guiding principles that will guide the Foundation's work through 2023. The Foundation adopted a community engagement strategy to identify issues and recommended priorities for investing the foundation's resources in ways aligned with community needs and to grow a more equitable and financially resilient social safety net.

The Foundation updated its mission statement to reflect that it invests in advancing systems change opportunities in Montgomery County, Pennsylvania to promote a more just and financially resilient social safety net. The updated mission statement continues to support efforts to reduce health disparities affecting those experiencing poverty and historically marginalized communities. Building on its past investments enhancing access to safe and affordable housing, improving food security and adequate nutrition, and enhancing access to quality health care and supportive services, the Foundation seeks opportunities to strengthen the financial resiliency of the safety net system and to achieve racial and social justice over the next ten years.

The Foundation is designed to exist in perpetuity, so its commitment is long term. The Foundation invests its time, expertise, and resources in finding innovative solutions to the complex challenges facing the health and human services systems and helps to build the capacity of the organizations delivering services.

2506, LLC is a Pennsylvania single-member limited liability company owned by the Foundation. 2506, LLC is governed by a board of managers appointed by the Foundation. The board of managers is comprised of five individuals, three of whom are tenant representatives. 2506, LLC was established to construct, own, and operate real estate located in Hatfield Township. A multi-tenant nonprofit center, called Community Partners Center, houses the Foundation and four other health and human services agencies serving Montgomery County residents as well as several meeting rooms that are available without cost to nonprofit organizations.

A single-family residential dwelling located in Hatfield Township adjacent to the multi-tenant nonprofit center is master leased to a human services agency that sublets the dwelling to a HUD-qualified low-income family.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the accounts of HealthSpark Foundation and its wholly owned subsidiary 2506, LLC. All material intercompany transactions and balances have been eliminated.

Basis of Accounting

The consolidated financial statements are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets consist of the following:

Net Assets Without Donor Restrictions – Net assets for use in general operations and are not subject to donor- or certain grantor-imposed restrictions. Net assets generally result from investment income and gains, less expense incurred in providing services and other administrative expenses. At times, the governing board can designate, from net assets without donor restrictions, net assets for various purposes.

Net Assets With Donor 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.

Income Taxes

2506, LLC is a single-member LLC and is considered a disregarded entity for federal income tax purposes. 2506, LLC's activities are reflected in the Foundation's federal income tax return. The Foundation is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified by the Internal Revenue Service as a private foundation. No provision for income taxes is required for the year ended June 30, 2021. IRC Section 4940(a), however, imposes a 1.39% tax on net investment income, which includes gains realized on the sale of investments. Excise tax amounted to \$139,546 for the year ended June 30, 2021.

The Foundation records a deferred excise tax liability on 1.39% of net unrealized investment gains. At June 30, 2021, the Foundation recorded a deferred excise tax liability on 1.39% of net unrealized investment gains in 2021 in the amount of \$132,689.

Management has reviewed the tax positions taken or expected to be taken on income tax returns for all open periods and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

In preparing financial statements in conformity with accounting GAAP management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (ASC) 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institution in which deposits are made.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments and other investments are stated at fair value (see Note 3).

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust includes the Foundation's respective share of the fair value of the total funds held in trust by others for which the Foundation is the recipient of a portion of the income. This perpetual trust is included in net assets with donor restrictions.

Beneficial Interest in Remainder Trust

The beneficial interest in remainder trust includes the Foundation's respective share of the fair value of the total funds held in trust by others for which the Foundation is the remainder beneficiary of a portion of the trust assets which will be distributed to the Foundation for its unrestricted use when the trust terminates. This remainder trust is included in net assets with donor restrictions.

Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs are charged to expense. Major additions and improvements which prolong the life of the asset are capitalized.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method of depreciation. The estimated useful lives are as follows:

Land Improvements	15 Years
Building	39 Years
Building Improvements	Lease Term (5 Years)
Furniture, Fixtures, and Equipment	3 to 7 Years

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants

Program grant expense is recorded when approved by the board of directors, provided the grant is not subject to future conditions. Conditional grants are recognized when the conditions on which they depend are substantially met. Grants that are payable over future periods are recorded in the period the grant is first awarded when the recipient is subject only to routine performance requirements.

Grants awarded are evaluated using the decision tree in ASC 958-605-55-1A to determine the applicable accounting model. A decision tree is also used to determine whether grants are conditional or unconditional. Both barriers and rights of return/release, need to exist in order to designate a grant as conditional. Conditional grants are recognized when the conditions on which they depend are substantially met. There were no conditional grants as of June 30, 2021.

Other Liabilities and Expenses in Connection with North Penn Hospital

The Foundation continues to carry certain liabilities and related assets from the former hospital operations related to deferred compensation. In addition, certain expenses related to the former hospital operations are included in the nonoperating expenses of the statement of activities and changes in net assets.

Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. See Note 12 for additional disclosure on functional expense allocation.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

New Accounting Pronouncement

For the year ended June 30, 2021, the Foundation adopted the accounting guidance in FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether were made to previously reported net assets.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, HealthSpark Foundation and 2506, LLC have evaluated events and transactions for potential recognition or disclosures through November 17, 2021, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY

As of June 30, 2021, the following financial assets could be readily made available within one year of the statement of financial position date to meet general expenditures:

Cash and Cash Equivalents	\$ 468,607
Investments	42,151,152
Less: Net Assets With Donor Restrictions	<u>(1,614,055)</u>
Total	<u>\$ 41,005,704</u>

The Organization regularly monitors its liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. As part of its liquidity management, the Organization has a goal to maintain financial assets on hand to meet three months' worth of normal operating expenses.

NOTE 3 LONG-TERM INVESTMENTS

A summary of investments at June 30, 2021 is as follows:

	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 5,827,487	\$ 6,373,166
Partnerships/Joint Ventures/Collective Investments	26,328,448	35,328,089
Cash Equivalents	449,897	449,897
	<u>\$ 32,605,832</u>	<u>\$ 42,151,152</u>
Unrealized Appreciation:		
End of Year		\$ 9,545,320
Beginning of Year		<u>3,519,884</u>
Change in Unrealized Appreciation		6,025,436
Realized Net Gain for the Year		<u>1,632,136</u>
Net Realized and Unrealized Gains on Investments		7,657,572
Interest and Dividends, Net of Investment Fees		<u>66,958</u>
Total Return		<u>\$ 7,724,530</u>

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 LONG-TERM INVESTMENTS (CONTINUED)

In 2017, the Foundation hired Meketa Fiduciary Management, LLC (MFM) (an affiliate of Meketa Investment Group) as its Outsourced Chief Investment Officer (OCIO). MFM provides general consulting and private markets advisory services. MFM has discretion over investing. Among other things, MFM assumes decision-making authority to hire and terminate investment managers across public and private markets, to implement the Foundation's asset allocation directives, and to manage investment manager transitions.

The Foundation aims to prioritize portfolio liquidity whenever possible and will only invest in strategies without daily liquidity for compelling reasons. Currently, two of those reasons involve lower fees, and accessing risk mitigation strategies that are not available in vehicles that possess daily liquidity.

The mutual funds possess daily liquidity and are SEC regulated funds. These funds are priced at the end of each trading day.

The Partnerships/Joint Ventures/Collective Investments in the portfolio are comprised of commingled funds and hedge funds. The commingled funds are long-only investment funds which have lower fee structures than their mutual fund counterparts. They are priced at minimum on a monthly basis and have daily, weekly, or monthly liquidity. Collective investments, while separately reported by the custodian, are commingled funds.

The hedge funds are structured as limited partnerships. They are designed to mitigate equity risk within the portfolio. These funds are valued monthly and have monthly liquidity.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization utilized various methods to measure the fair value of its financial instrument on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The fair value of the interest rate swap agreement is determined based on a proprietary model developed by the financial institution involved that uses primarily market observable inputs, such as yield curves and rate volatilities and, accordingly, is classified using Level 2 inputs.

The summary of inputs used to value the Organization's financial statements as of June 30, 2021 is as follows:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
INVESTMENTS				
Mutual Funds	\$ 6,373,166	\$ -	\$ -	\$ 6,373,166
Collective Investment Funds*	-	-	-	-
Partnerships/Joint Ventures*	-	-	-	-
Total	<u>\$ 6,373,166</u>	<u>\$ -</u>	<u>\$ -</u>	6,373,166
*Investments Measured at Fair Value using Net Asset Value per Share				35,328,089
Total Investments				<u>\$ 41,701,255</u>
OTHER INVESTMENTS				
Mutual Funds	<u>\$ -</u>	<u>\$ 502,756</u>	<u>\$ -</u>	<u>\$ 502,756</u>
Beneficial Interest in Remainder Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,111,365</u>	<u>\$ 1,111,365</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,515</u>	<u>\$ 238,515</u>
Interest Rate Swap - Obligation	<u>\$ -</u>	<u>\$ (244,897)</u>	<u>\$ -</u>	<u>\$ (244,897)</u>

The Beneficial Interests in Perpetual Trust and Remainder Trust are measured at the estimated future cash flows which involve unobservable inputs. The significant unobservable inputs used in the fair value measurements are allocated based on the portion of the underlying assets. Significant changes in this input could result in a significant change to the fair value measurement. As a result, the present value technique is a Level 3 input.

The classification of other investments included in the table above is not meant to be indicative of the classification of investments in the underlying portfolios of these other investments into the fair value hierarchy. The classification is based upon the Organization's classification of its investments in these other investments, where there is no public market for these securities and these investments are subject to various withdrawal restrictions. Although certain of these other investments may contain investments in publicly held securities (Level 1), there are no active market quotations for the investments which contain such publicly held securities.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The mutual funds are valued at the published net asset value per share as of the reporting date. There are no restrictions on when the Foundation may redeem shares from the Fund.

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value are as follows:

	Beneficial Interest in Remainder Trust	Beneficial Interest in Perpetual Trust
Balances as of July 1, 2020	\$ 884,620	\$ 198,179
Realized and Unrealized Gains	226,745	40,336
Balances as of June 30, 2021	<u>\$ 1,111,365</u>	<u>\$ 238,515</u>

NOTE 5 BENEFICIAL INTEREST IN REMAINDER TRUST

In November 2012, the Foundation was notified that it has a 1/8 remainder interest in a trust. The 1/8 interest in the Trust at the time of contribution was approximately \$1.5 million. The 1/8 interest in this Trust was reduced by 50% due to the income beneficiary's right to withdraw up to 50% of the Trust assets until the time of the beneficiary's death. The Foundation's proportionate share of the Trust assets at the date of the contribution was based on the present value of its remainder interest using the Trust's assumed rate of return (7.75%) net of the estimated distribution rate (3.5%) to the income beneficiary. Based on a discount rate of 4.25%, the contribution recorded in November 2012 was \$514,647 and classified as a net asset with donor restriction. At the date the Trust terminates, 1/8 of the Trust assets will be distributed to the Foundation for its use without donor restrictions.

As of June 30, 2021, the present value of the fair value of the Trust assets was \$1,111,365 and the change in the fair value for the year ended June 30, 2021 of \$226,745 is reflected as a change in beneficial interest in remainder trust in the statement of activities and changes in net assets.

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows at June 30, 2021:

Land	\$ 1,906,479
Land Improvements	712,599
Building	4,559,162
Building Improvements	919,181
Furniture, Fixtures, and Equipment	482,513
Total	<u>8,579,934</u>
Accumulated Depreciation	<u>(3,423,379)</u>
Total Property and Equipment, Net	<u>\$ 5,156,555</u>

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 PROPERTY AND EQUIPMENT (CONTINUED)

The Foundation acquired real estate located in Hatfield Township and constructed a nonprofit center housing purely public health and human services agencies as well as the Foundation itself. The construction of this center was completed in March 2008 and the cost of the land and construction of the building totaled approximately \$7.1 million. In December 2006, the Foundation transferred the deed and ownership of the land and any improvements to 2506, LLC in exchange for a note receivable. In addition, the Foundation financed certain construction costs related to the center. As of June 30, 2021, 2506, LLC has an outstanding note payable to the Foundation of \$2,441,286 in conjunction primarily with the acquisition of the property and certain construction costs. All intercompany borrowings and related interest between the Foundation and 2506, LLC have been eliminated in these consolidated financial statements.

On August 15, 2011, 2506, LLC acquired real estate adjacent to the existing multi-tenant nonprofit center for the purpose of expanding parking for the center and providing housing for a low-income family. Montgomery County Department of Housing and Community Development (MCDHCD) provided funding in the amount of \$49,843 for improvements and repairs to the residence in order to provide additional living space to accommodate a larger low-income family. In consideration for this funding, 2506, LLC entered into a mortgage agreement with MCDHCD (see Note 7).

Depreciation expense for the year ended June 30, 2021 was \$205,545.

NOTE 7 NOTES PAYABLE

The Foundation and 2506, LLC were jointly liable for a note payable to a bank which was collateralized by a mortgage agreement on the property located in Hatfield Township. On April 21, 2014, that obligation was refinanced with a \$3,800,000 million note payable based on a 25-year amortization schedule with interest at a tax-free floating rate of 30-day London Inter Bank Offered Rate (LIBOR) plus 100 basis points. All outstanding interest and principal is due April 21, 2024. As of June 30, 2021, the outstanding balance on the note payable was \$3,053,388. The amount of unamortized loan refinancing costs on this note payable for 2021 was \$20,313. Interest expense including the swap arrangement on this note payable for 2021 was \$117,162.

The Foundation and 2506, LLC are subject to compliance of financial covenants under the terms of the loan agreement. One financial covenant requires that the Foundation and 2506, LLC maintain a tangible net worth of not less than \$10 million. In addition, the Foundation and 2506, LLC are required to meet an annual minimum debt service coverage ratio of 1:1 or greater. This covenant is based solely on the operating results of 2506, LLC. Management is not aware of any violations of the covenants.

s/h/b 3.25%, JR 01/06/22

In conjunction with the refinancing of the note payable, the Foundation and 2506, LLC entered into a revised swap agreement with the notional amount of \$3.8 million, whereby the Foundation and 2506, LLC pay a fixed interest rate of ~~3.7%~~ and receive a variable interest rate (LIBOR plus 100 basis points). As of June 30, 2021, the fair value of the swap agreement was \$244,897, in favor of the Bank. This swap agreement expires on April 21, 2024.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 NOTES PAYABLE (CONTINUED)

A note payable to Montgomery County Department of Housing and Community Development (MCHCD) is payable based on a 15-year amortization schedule with no interest on the outstanding principal balance. The principal balance of the mortgage is forgivable based upon equal monthly amortization of the original mortgage principal over 15 years contingent on the property being maintained as a low-income single-family residence. As of June 30, 2021, the outstanding balance on the note payable was \$19,937. 2506, LLC may not sell, transfer, convey, or assign the mortgaged property while there is an outstanding mortgage principal balance. No interest is charged on the principal balance outstanding. The note payable forgiven in accordance with the agreement was \$3,323 for 2021 and is included within contributions without donor restrictions in the consolidated statement of activities and changes in net assets.

The minimum annual repayment requirements on the notes payable as of June 30, 2021 are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2022	\$ 124,856
2023	129,561
2024	2,808,939
2025	3,323
2026	3,323
Thereafter	<u>3,323</u>
Total	3,073,325
Less: Unamortized Refinancing Fees	(20,313)
Total, Net of Refinancing Fees	<u><u>\$ 3,053,012</u></u>

NOTE 8 NET ASSETS

Net assets with donor restrictions as of June 30, 2021 are as follows:

Beneficial Interest in Perpetual Trusts	\$ 238,515
Other Permanent Restrictions	264,175
Beneficial Interest in Remainder Trust - Time Restriction	<u>1,111,365</u>
Total	<u><u>\$ 1,614,055</u></u>

NOTE 9 CONTINGENCIES

The management and administration of the delivery of health care services entailed significant risks of liability to North Penn Hospital. As such, North Penn Hospital was subject to various actions and claims arising from the acts or omissions of its employees, providers, or other parties. These actions gave rise to malpractice, professional negligence, and other related claims against North Penn Hospital and, as successor to the North Penn Hospital, the Foundation. With the exception noted below, the Foundation believes all claims are settled in its favor and the Foundation has not received notice of any new matters.

**HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 CONTINGENCIES (CONTINUED)

Management is aware of one outstanding issue related to North Penn Hospital, a claim for compensatory damages in the amount of \$2.5 million for employees' unused and unpaid vacation and personal leave benefits accrued and/or earned during their employment at North Penn Hospital. The claim is a class action comprised of four sub-classes. The Foundation does not have professional liability insurance that would cover this claim.

On March 6, 2019, a jury reached a verdict awarding Sub-Class 1 \$163,494. On August 16, 2019, the Foundation, joined separately by the Pennsylvania Office of Attorney General, filed a timely appeal. A three-judge panel of the Superior Court heard the appeals in June 2021 and its ruling was issued on October 13th, 2021. The court reversed the jury finding and award for Sub-Class 1 as a matter of law; and affirmed the jury's findings as they related to Sub-Class 2, 3, and 4. The court also ruled that no attorney fees or costs were due from The Foundation. Plaintiffs filed a timely request for re-argument/reconsideration that the Foundation answered requesting the Superior Court deny plaintiff's motion for reargument/reconsideration. The matter remains pending with the Superior Court.

The Montgomery County Prothonotary continues to hold \$196,193 in escrow pending the final outcome of this case.

NOTE 10 COMMITMENTS

2506, LLC leases space in its building to the Foundation and five health and human services nonprofit organizations. Each tenant signed leases ranging from one to five years, with the last lease expiring in May 2023.

The minimum annual lease commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 311,799
2023	245,364
Total	<u>\$ 557,163</u>

The minimum annual lease commitments reflected above in these consolidated financial statements are shown net of the commitment from the Foundation.

HEALTHSPARK FOUNDATION AND 2506, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 RETIREMENT PLAN

The Foundation sponsors the HealthSpark Foundation 401(k) Profit Sharing Plan and Trust for its employees. Employees are eligible to participate in the plan after 90 days of employment if they are 21 years of age. Participating employees are immediately vested in the plan. The Foundation provides employee-matching contributions at an amount equal to 100% of the employee elected deferral that does not exceed 3% of employee compensation for the plan year plus 50% of employee elective deferrals that exceed 3% of compensation for the plan year but does not exceed 5% of the compensation for the plan year. In addition, eligible employees receive a 2% profit sharing contribution based on their compensation for the plan year. Employees must complete 500 hours of service during the plan year to be eligible for the profit-sharing contribution. For the year ended June 30, 2021, the Foundation contributed \$17,351 in matching contributions and \$8,655 in profit sharing contributions.

NOTE 12 FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to one or more areas of the Foundation. Those expenses include salaries and employee benefits, professional fees, occupancy and various other operational expenses. Salaries and benefits are allocated based on estimates of time and effort. Professional fees and all other operating expenses are allocated based on the estimated effect of the services and goods provided to program, administrative and fundraising. The following table presents expenses by both their nature and function for the year ended June 30, 2021. Comparative totals are included for the year ended June 30, 2020.

	2021					2020 Total
	Program Activity			Management and General		
	Grants	Facility	Total	General	Total	
Program Grants	\$ 1,082,350	\$ -	\$ 1,082,350	\$ -	\$ 1,082,350	\$ 480,210
Program, Evaluation, and Communication						
Consulting	97,750	-	97,750	-	97,750	252,746
Salaries	392,740	56,975	449,715	127,106	576,821	435,541
Payroll Taxes/Employee Benefits	102,068	18,257	120,325	23,791	144,116	104,975
Professional Services:						
Legal Fees	-	-	-	34,261	34,261	13,519
Audit	-	-	-	23,673	23,673	20,498
Accounting	-	-	-	1,610	1,610	24,708
Other Consulting	9,396	-	9,396	21,802	31,198	49,265
Temporary Help	-	-	-	-	-	16,320
Occupancy	1,258	-	1,258	427	1,685	20,578
Telephone and Communications	10,850	1,176	12,026	3,003	15,029	18,423
Utilities and Security	-	31,434	31,434	-	31,434	37,802
Office Supplies and Software Maintenance	18,853	-	18,853	8,521	27,374	18,705
Building Maintenance	-	94,309	94,309	-	94,309	101,888
Insurance	6,391	12,226	18,617	4,003	22,620	20,354
Meeting and Travel	23,771	-	23,771	18,238	42,009	49,853
Dues and Subscriptions	11,407	-	11,407	119	11,526	15,293
Depreciation	18,149	179,983	198,132	7,413	205,545	202,813
Interest	-	124,331	124,331	-	124,331	116,912
Excise Tax (Credit)	-	-	-	139,546	139,546	4,307
Miscellaneous	4,720	-	4,720	4,292	9,012	9,630
Total Operating Expenses	<u>\$ 1,779,703</u>	<u>\$ 518,691</u>	<u>\$ 2,298,394</u>	<u>\$ 417,805</u>	<u>\$ 2,716,199</u>	<u>\$ 2,014,340</u>
North Penn Hospital Related Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,821</u>	<u>\$ 30,821</u>	<u>\$ 511,230</u>

HEALTHSPARK FOUNDATION AND 2506 LLC
SCHEDULE OF GRANTS
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

PROGRAM GRANTS

Access Services (2)	\$ 45,000
Arcadia University	26,000
BJF Community Action Committee and Action Team	11,000
Bucks Mont Collaborative (2)	200,000
Centro de Cultura Arte Trabajo y Educacion	30,000
CHOP Child Life and Creative Arts Therapy	100
GPLEX	5,000
Gwynedd Mercy University (3)	3,750
Imagine Different c/o The PEAL Center	5,000
Independence Public Media of Philadelphia Inc	40,000
Inter-Faith Housing Alliance (2)	3,500
Juneteenth 2021 Panel Presenter	1,500
Legal Aid of Southeastern Pennsylvania (2)	33,500
Manna on Main Street	3,000
Maternity Care Coalition	30,000
Mission Kids Child Advocacy Center	30,000
Montgomery County Community College Foundation	20,000
National Network for Youth	30,000
Norristown Hospitality Center (dba Norristown Ministries Inc. Hospitality Center)	15,000
Pennsylvania Health Access Network (PHAN)	300,000
SAAC of Montego	30,000
SeaChange Capital	50,000
Temple University	30,000
The Deaf-Hearing Communication Centre (2)	35,000
The Montgomery County Foundation, Inc, on behalf of Your Way Home Montgomery County	30,000
The Philip Jaisohn Memorial Foundation	30,000
Trellis for Tomorrow	5,000
TriCounty Community Network	10,000
TriCounty Community Network on behalf of the Montco Anti-Hunger Network	<u>30,000</u>
 Total Program Grants	 <u><u>\$ 1,082,350</u></u>

HEALTHSPARK FOUNDATION AND 2506 LLC
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>Foundation</u>	<u>2506 LLC</u>	<u>Elimination</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 114,723	\$ 353,884	\$ -	\$ 468,607
Prepaid and Other Current Assets	337,580	27,644	(31,021)	334,203
Investments	42,151,152	-	-	42,151,152
Beneficial Interest in Remainder Trust	1,111,365	-	-	1,111,365
Note Receivable - Related Party	2,441,286	-	(2,441,286)	-
Other Investments	502,756	-	-	502,756
Beneficial Interest in Perpetual Trust	238,515	-	-	238,515
Property and Equipment, Net	43,666	5,112,889	-	5,156,555
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 46,941,043</u>	<u>\$ 5,494,417</u>	<u>\$ (2,472,307)</u>	<u>\$ 49,963,153</u>
 LIABILITIES AND NET ASSETS (DEFICIT)				
LIABILITIES				
Grants Payable	\$ 355,000	\$ -	\$ -	\$ 355,000
Accounts Payable and Accrued Expenses	116,223	39,898	(31,021)	125,100
Notes Payable - Related Party	-	2,441,286	(2,441,286)	-
Notes Payable, Net of Refinancing Fees	-	3,053,012	-	3,053,012
Deferred Tax Liability	132,689	-	-	132,689
Interest Rate Swap Liability	-	244,897	-	244,897
Security Deposits	-	13,530	-	13,530
Other Liabilities in Connection with North Penn Hospital	502,756	-	-	502,756
Total Liabilities	<u>1,106,668</u>	<u>5,792,623</u>	<u>(2,472,307)</u>	<u>4,426,984</u>
 NET ASSETS (DEFICIT)				
Without Donor Restrictions:				
Undesignated	44,219,060	(298,206)	-	43,920,854
Board-Designated	1,260	-	-	1,260
Total Net Assets Without Donor Restrictions	<u>44,220,320</u>	<u>(298,206)</u>	<u>-</u>	<u>43,922,114</u>
With Donor Restrictions	1,614,055	-	-	1,614,055
Total Net Assets (Deficit)	<u>45,834,375</u>	<u>(298,206)</u>	<u>-</u>	<u>45,536,169</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 46,941,043</u>	<u>\$ 5,494,417</u>	<u>\$ (2,472,307)</u>	<u>\$ 49,963,153</u>

HEALTHSPARK FOUNDATION AND 2506 LLC
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Foundation			2506		Elimination	Total
	Without Donor Restrictions	With Donor Restrictions	Total Foundation	Without Donor Restrictions			
REVENUE							
Interest and Dividends	\$ 71,066	\$ -	\$ 71,066	\$ 284	\$ (4,392)		\$ 66,958
Income from Perpetual Trusts	9,200	-	9,200	-	-		9,200
Rental	-	-	-	433,630	(77,962)		355,668
Contributions	-	-	-	3,323	-		3,323
Change in Beneficial Interest in Remainder Trust	-	226,745	226,745	-	-		226,745
Contributions from Related Party	-	-	-	124,034	(124,034)		-
Change in Beneficial Interest in Perpetual Trust	-	40,336	40,336	-	-		40,336
Net Realized and Unrealized Gains on Investments	<u>7,657,572</u>	<u>-</u>	<u>7,657,572</u>	<u>-</u>	<u>-</u>		<u>7,657,572</u>
Total Revenue	<u>7,737,838</u>	<u>267,081</u>	<u>8,004,919</u>	<u>561,271</u>	<u>(206,388)</u>		<u>8,359,802</u>
EXPENSES							
Program Grants	1,082,350	-	1,082,350	-	-		1,082,350
Other Program Activities	<u>755,534</u>	<u>-</u>	<u>755,534</u>	<u>523,083</u>	<u>(62,573)</u>		<u>1,216,044</u>
Total Program Expenses	1,837,884	-	1,837,884	523,083	(62,573)		2,298,394
Management and General	<u>428,109</u>	<u>-</u>	<u>428,109</u>	<u>9,477</u>	<u>(19,781)</u>		<u>417,805</u>
Total Expenses	<u>2,265,993</u>	<u>-</u>	<u>2,265,993</u>	<u>532,560</u>	<u>(82,354)</u>		<u>2,716,199</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	5,471,845	267,081	5,738,926	28,711	(124,034)		5,643,603
OTHER INCOME							
Change in Value of Interest Rate Swap	-	-	-	113,716	-		113,716
Net Operating Revenue (Loss)	<u>5,471,845</u>	<u>267,081</u>	<u>5,738,926</u>	<u>142,427</u>	<u>(124,034)</u>		<u>5,757,319</u>
NONOPERATING EXPENSES							
North Penn Hospital Related Expenses	(30,821)	-	(30,821)	-	-		(30,821)
Contribution to Related Party	<u>(124,034)</u>	<u>-</u>	<u>(124,034)</u>	<u>-</u>	<u>124,034</u>		<u>-</u>
Total Nonoperating Expenses	<u>(154,855)</u>	<u>-</u>	<u>(154,855)</u>	<u>-</u>	<u>124,034</u>		<u>(30,821)</u>
CHANGE IN NET ASSETS	5,316,990	267,081	5,584,071	142,427	-		5,726,498
Net Assets (Deficit) - Beginning of Year	<u>38,903,330</u>	<u>1,346,974</u>	<u>40,250,304</u>	<u>(440,633)</u>	<u>-</u>		<u>39,809,671</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 44,220,320</u>	<u>\$ 1,614,055</u>	<u>\$ 45,834,375</u>	<u>\$ (298,206)</u>	<u>\$ -</u>		<u>\$ 45,536,169</u>

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