HEALTHSPARK FOUNDATION
AND 2506, LLC

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

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HEALTHSPARK FOUNDATION AND 2506, LLC
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(WITH COMPARATIVE TOTALS FOR JUNE 30, 2022)

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2023, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2023, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited HealthSpark Foundation's 2022 consolidated financial statements and 2506, LLC's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on such consolidated financial statements as a whole. The 2023 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 2023 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 2023 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
February 21, 2024

HEALTHSPARK FOUNDATION AND 2506, LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022)

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 944,524	$ 703,933
Prepaid and Other Current Assets	72,946	88,768
Investments	37,616,550	35,480,778
Beneficial Interest in Remainder Trust	1,091,827	1,005,414
Other Investments	368,111	442,677
Beneficial Interest in Perpetual Trust	197,183	194,413
Interest Rate Swap Asset	5,306	-
Property and Equipment, Net	4,923,967	5,050,423
Total Assets	$ 45,220,414	$ 42,966,406
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants Payable	$ 410,000	$ 175,000
Accounts Payable and Accrued Expenses	179,342	98,561
Notes Payable, Net of Refinancing Fees	2,823,388	2,934,555
Deferred Tax Liability	43,374	32,529
Interest Rate Swap Liability	-	66,064
Security Deposits	13,530	13,530
Other Liabilities in Connection with North Penn Hospital	368,111	442,677
Total Liabilities	3,837,745	3,762,916
NET ASSETS		
Without Donor Restrictions	39,829,484	37,739,488
With Donor Restrictions	1,553,185	1,464,002
Total Net Assets	41,382,669	39,203,490
Total Liabilities and Net Assets	$ 45,220,414	$ 42,966,406

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, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022
REVENUE				
Interest and Dividends	$ 293,827	$ -	$ 293,827	$ 147,269
Income from Perpetual Trust	9,600	-	9,600	9,200
Rental	371,763	-	371,763	361,585
Contributions	3,323	-	3,323	3,323
Change in Beneficial Interest in Remainder Trust	-	86,413	86,413	(105,951)
Change in Beneficial Interest in Perpetual Trust	-	2,770	2,770	(44,102)
Net Realized and Unrealized Gains (Losses)	3,974,936	-	3,974,936	(4,694,059)
Other Income	25,000	-	25,000	356
Total Revenue	4,678,449	89,183	4,767,632	(4,322,379)
EXPENSES				
Program Grants	1,069,000	-	1,069,000	620,875
Other Program Activities	1,155,333	-	1,155,333	1,262,810
Total Program Expenses	2,224,333	-	2,224,333	1,883,685
Management and General	435,490	-	435,490	235,621
Total Expenses	2,659,823	-	2,659,823	2,119,306
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	2,018,626	89,183	2,107,809	(6,441,685)
OTHER INCOME				
Change in Value of Interest Rate Swap	71,370	-	71,370	178,833
Net Operating Revenue	2,089,996	89,183	2,179,179	(6,262,852)
NONOPERATING EXPENSE				
North Penn Hospital Related Expenses	-	-	-	(69,827)
Total Nonoperating Expense	-	-	-	(69,827)
CHANGE IN NET ASSETS	2,089,996	89,183	2,179,179	(6,332,679)
Net Assets - Beginning of Year	37,739,488	1,464,002	39,203,490	45,536,169
NET ASSETS - END OF YEAR	$ 39,829,484	$ 1,553,185	$ 41,382,669	$ 39,203,490

See accompanying Notes to Consolidated Financial Statements.

HEALTHSPARK FOUNDATION AND 2506, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 2,179,179	$ (6,332,679)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	211,739	208,877
Net Realized and Unrealized (Gain) Loss on Investments	(3,974,936)	4,694,059
Change in Beneficial Interest in Remainder Trust	(86,413)	105,951
Change in Beneficial Interest in Perpetual Trust	(2,770)	44,102
Change in Value of Interest Rate Swap	(71,370)	(178,833)
Increase in:		
Prepaid and Other Current Assets	15,822	245,435
Increase (Decrease) in:		
Grants Payable	235,000	(180,000)
Accounts Payable and Accrued Expenses	80,781	(26,539)
Deferred Tax Liability	10,845	(100,160)
Other Liabilities	(74,566)	(60,079)
Net Cash Used by Operating Activities	(1,476,689)	(1,579,866)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment, Net	(85,283)	(102,745)
Purchases of Investments	(59,934,864)	(24,654,231)
Proceeds from Sale of Investments	61,774,028	26,630,546
Decrease in Other Investments	74,566	60,079
Net Cash Provided by Investment Activities	1,828,447	1,933,649
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on Notes Payable	(111,167)	(118,457)
NET INCREASE IN CASH AND CASH EQUIVALENTS	240,591	235,326
Cash and Cash Equivalents - Beginning of Year	703,933	468,607
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 944,524	$ 703,933
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 86,304	$ 110,673

See accompanying Notes to Consolidated Financial Statements.

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.

The Foundation's mission is to invest in nonprofits, networks, and coalitions promoting a more just and healthy community. The Foundation adopted a 10-year plan to fulfil this mission, called the Safety Net Framework, in 2017. The Safety Net Framework identifies the Foundation's six key philanthropic activities. These include: (1) Grantmaking to support a strong, equitable, and connected safety net system, (2) Advocacy to educate the public and policymakers on methods for building a stronger safety net system, (3) Leadership development within the social safety net, (4) Research and data to support informed decision-making, (5) Convenings to build cross-sector relationships and build alignment between stakeholders, and (6) Mission aligned investing.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2023. 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 $70,938 for the year ended June 30, 2023.

The Foundation records a deferred excise tax liability on 1.39% of net unrealized investment gains. At June 30, 2023, the Foundation recorded a deferred excise tax liability on 1.39% of net unrealized investment gains in 2023 in the amount of $43,374.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 4).

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 purchases in excess of $1,000 are capitalized and 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

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants (Continued)

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, 2023.

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, 2022, from which the summarized information was derived.

Subsequent Events

In preparing these consolidated financial statements, HealthSpark Foundation and 2506, LLC have evaluated events and transactions for potential recognition or disclosures through February 21, 2024, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY

As of June 30, 2023, 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	$ 944,524
Investments	37,616,550
Less: Illiquid Investments	(2,383,722)
Total	$ 36,177,352

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, 2023 is as follows:

	Cost	Market
Mutual Funds	$ 23,534,358	$ 25,356,191
Partnerships/Joint Ventures/Collective Investments	10,515,210	11,921,622
Cash Equivalents	338,737	338,737
	$ 34,388,305	$ 37,616,550
Unrealized Appreciation:		
End of Year		$ 3,228,245
Beginning of Year		2,340,239
Change in Unrealized Appreciation		888,006
Realized Net Gain for the Year		3,086,930
Net Realized and Unrealized Gains on Investments		3,974,936
Interest and Dividends, Net of Investment Fees		293,827
Total Return		$ 4,268,763

The Foundation employs a unanimously board-approved Investment Policy Statement (IPS), including an asset allocation, to guide the management of the investments. Prior to June 30, 2022, the rebalancing was completed employing dollar-cost-averaging throughout the fiscal year. In August 2022, the board unanimously approved an amended and restated IPS that strengthened both the evaluation criteria of investment performance and the guidance for aligning the investments to the mission, vision, and values of the Foundation.

NOTE 3 LONG-TERM INVESTMENTS (CONTINUED)

The Foundation contracts a third party outsourced Chief Investment Officer (OCIO) to provide general consulting and privative markets advisory services. The OCIO has discretion over investing. Among other things, the OCIO 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.

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, 2023 is as follows:

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total
INVESTMENTS				
Mutual Funds	$ 25,356,191	$ -	$ -	$ 25,356,191
Total	$ 25,356,191	$ -	$ -	25,356,191
*Investments Measured at Fair Value using Net Asset Value per Share				11,921,622
Total Investments				$ 37,277,813
OTHER INVESTMENTS				
Mutual Funds	$ -	$ 368,111	$ -	$ 368,111
Beneficial Interest in Remainder Trust	$ -	$ -	$ 1,091,827	$ 1,091,827
Beneficial Interest in Perpetual Trust	$ -	$ -	$ 197,183	$ 197,183
Interest Rate Swap - Asset	$ -	$ 5,306	$ -	$ 5,306

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.

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, 2022	$ 1,005,414	$ 194,413
Realized and Unrealized Gains	86,413	2,770
Balances as of June 30, 2023	$ 1,091,827	$ 197,183

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, 2023, the present value of the fair value of the Trust assets was $1,091,827 and the change in the fair value for the year ended June 30, 2023 of $86,413 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, 2023:

Land	$ 1,906,479
Land Improvements	712,599
Building	4,558,272
Building Improvements	924,517
Furniture, Fixtures, and Equipment	526,070
Total	8,627,937
Accumulated Depreciation	(3,703,970)
Total Property and Equipment, Net	$ 4,923,967

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, 2023, 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, 2023 was $211,739.

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. The note was amended on June 28, 2023 to adjust the interest calculation to 65% of the Simple SOFR. All outstanding interest and principal is due April 21, 2024. As of June 30, 2023, the outstanding balance on the note payable was $2,816,072. The amount of unamortized loan refinancing costs on this note payable for 2023 was $5,975. Interest expense including the swap arrangement on this note payable for 2023 was $86,304.

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 unencumbered liquid assets of not less than $10 million. In addition, the Foundation and 2506, LLC are required to meet an annual minimum debt service coverage ratio (DSCR) 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.

NOTE 7 NOTES PAYABLE (CONTINUED)

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 3.70% and receive a variable interest rate (LIBOR plus 100 basis points). As of June 30, 2023, the fair value of the swap agreement was $(5,306), in favor of the Bank. This swap agreement expires on April 21, 2024.

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, 2023, the outstanding balance on the note payable was $13,291. 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 2023 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, 2023 are as follows:

Year Ending June 30,	Amount
2024	$ 2,819,395
2025	3,323
2026	3,323
2027	3,322
Total	2,829,363
Less: Unamortized Refinancing Fees	(5,975)
Total, Net of Refinancing Fees	$ 2,823,388

NOTE 8 NET ASSETS

Net assets with donor restrictions as of June 30, 2023 are as follows:

Beneficial Interest in Perpetual Trusts	$ 197,183
Other Permanent Restrictions	264,175
Beneficial Interest in Remainder Trust - Time Restriction	1,091,827
Total	$ 1,553,185

NOTE 9 CONTINGENCIES

At times the Foundation may be subject to litigation or claims arising from the normal course of operations. As of REPORT DATE, the Foundation is not aware of any pending or threatening matters.

NOTE 10 COMMITMENTS

2506, LLC leases space in its building to the Foundation and four health and human services nonprofit organizations. Each tenant signed leases ranging from one to five years, with the last lease expiring in May 2028.

The minimum annual lease commitments are as follows:

Year Ending June 30,	Amount
2024	$ 303,925
2025	304,794
2026	304,794
2027	304,794
2028	269,145
Thereafter	3,025
Total	$ 1,490,477

Each of the leases require the tenants to provide a 180-day notification of intent to renew. All tenants have notified that they will be renewing their leases. They will be provided with amended and restated lease agreements offering five-year terms with an additional five-year option.

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

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, 2023, the Foundation contributed $17,255 in matching contributions and $10,819 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, 2023. Comparative totals are included for the year ended June 30, 2022.

	2023					
	Program Activity			Management and		2022
	Grants	Facility	Total	General	Total	Total
Program Grants	$ 1,068,500	$ -	$ 1,068,500	$ 500	$ 1,069,000	$ 620,875
Program, Evaluation, and Communication Consulting	129,434	-	129,434	-	129,434	120,400
Salaries	310,301	60,903	371,204	147,368	518,572	577,479
Payroll Taxes/Employee Benefits	94,339	20,606	114,945	28,033	142,978	156,959
Professional Services:						
Legal Fees	1,574	-	1,574	55,211	56,785	12,052
Audit	-	-	-	28,350	28,350	21,137
Accounting	-	-	-	1,076	1,076	2,887
Other Consulting	6,093	-	6,093	26,524	32,617	43,019
Occupancy	1,643		1,643	2,356	3,999	1,702
Telephone and Communications	11,605	522	12,127	3,058	15,185	14,724
Utilities and Security	-	37,882	37,882	-	37,882	32,340
Office Supplies and Software Maintenance	28,743	-	28,743	9,314	38,057	30,218
Building Maintenance	-	106,967	106,967	-	106,967	98,662
Insurance	5,784	14,117	19,901	4,056	23,957	22,213
Meeting and Travel	13,950	-	13,950	44,314	58,264	58,333
Dues and Subscriptions	12,303	-	12,303	41	12,344	16,893
Depreciation	28,735	171,267	200,002	11,737	211,739	208,877
Interest	-	93,473	93,473	-	93,473	117,842
Excise Tax (Credit)	-	-	-	70,938	70,938	(46,073)
Miscellaneous	5,372	220	5,592	2,614	8,206	8,767
Total Operating Expenses	$ 1,718,376	$ 505,957	$ 2,224,333	$ 435,490	$ 2,659,823	$ 2,119,306
North Penn Hospital Related Expenses	$ -	$ -	$ -	$ -	-	$ 69,827

HEALTHSPARK FOUNDATION AND 2506, LLC
SCHEDULE OF GRANTS
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

PROGRAM GRANTS	
ACLAMO	$ 45,000
Akea's Heart	15,000
Along the Way	30,000
Be Rezilient	15,000
Bethel AME Ardmore	15,000
Brandon L. Stiff	2,000
Centro de Cultura Arte Trabajo y Educacion	15,000
Collegiate Bridge Inc.	15,000
Generations of the Indian Valley	500
George Washington Carver Community Center	10,000
Girls First	10,000
Gwynedd Mercy University	2,500
Hakim K. Jones	1,000
HopeWorx, Inc.	30,000
I Choose to Win	15,000
Jaisohn	25,000
JEVS Human Services	20,000
Karel Johnson	1,000
Karen M. Hudson	2,000
Latinos Norristown	7,500
MADE (Making a Difference Economically)	15,000
Manna on Main Street	30,500
Mark A. Jones	2,000
Maternity Care Coalition	30,000
Mission First Housing	1,000
MontCo Anti-Hunger Network	30,000
Montgomery County Opportunities Industrialization	500
Mydera T. Robinson	500
Neighbors Helping Neighbors on the Main Line	30,000
No Longer Bound	15,000
PA Youth Vote	10,500
Pennsylvania Health Access Network	350,000
Racial Equity Learning Center (RELC)	160,000
Reality Speaking Inc.	20,000
Senior Adult Activities Center of Montgomery County	30,000
Share Food Program	30,000
St. Mary's Episcopal Church	500
Trapeta B. Mayson	500
TriCounty Community Network Fund	500
Tyrone Manning	1,000
Women's Center of Montgomery County	25,000
YWCA Tri-County Area	10,000
Total Program Grants	$ 1,069,000

HEALTHSPARK FOUNDATION AND 2506, LLC
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Foundation	2506 LLC	Elimination	Total
ASSETS				
Cash and Cash Equivalents	$ 460,337	$ 484,187	$ -	$ 944,524
Prepaid and Other Current Assets	34,563	52,784	(14,401)	72,946
Investments	37,616,550	-	-	37,616,550
Beneficial Interest in Remainder Trust	1,091,827	-	-	1,091,827
Note Receivable - Related Party	2,441,286	-	(2,441,286)	-
Other Investments	368,111	-	-	368,111
Beneficial Interest in Perpetual Trust	197,183	-	-	197,183
Interest Rate Swap Asset	-	5,306	-	5,306
Property and Equipment, Net	144,307	4,779,660	-	4,923,967
Right-of-Use Asset	268,387	-	(268,387)	-
Total Assets	$ 42,622,551	$ 5,321,937	$ (2,724,074)	$ 45,220,414
LIABILITIES AND NET ASSETS (DEFICIT)				
LIABILITIES				
Grants Payable	$ 410,000	$ -	$ -	$ 410,000
Accounts Payable and Accrued Expenses	161,938	31,805	(14,401)	179,342
Notes Payable - Related Party	-	2,441,286	(2,441,286)	-
Notes Payable, Net of Refinancing Fees	-	2,823,388	-	2,823,388
Deferred Tax Liability	43,374	-	-	43,374
Security Deposits	-	13,530	-	13,530
Other Liabilities in Connection with North Penn Hospital	368,111	-	-	368,111
Lease Liability	268,387	-	(268,387)	-
Total Liabilities	1,251,810	5,310,009	(2,724,074)	3,837,745
NET ASSETS (DEFICIT)				
Without Donor Restrictions	39,817,556	11,928	-	39,829,484
With Donor Restrictions	1,553,185	-	-	1,553,185
Total Net Assets (Deficit)	41,370,741	11,928	-	41,382,669
Total Liabilities and Net Assets (Deficit)	$ 42,622,551	$ 5,321,937	$ (2,724,074)	$ 45,220,414

HEALTHSPARK FOUNDATION AND 2506, LLC
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
YEAR ENDED JUNE 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	Foundation			2506		
	Without Donor Restrictions	With Donor Restrictions	Total Foundation	Without Donor Restrictions	Elimination	Total
REVENUE						
Interest and Dividends	$ 351,486	$ -	$ 351,486	$ 205	$ (57,864)	$ 293,827
Income from Perpetual Trusts	9,600	-	9,600	-	-	9,600
Rental	-	-	-	454,202	(82,439)	371,763
Contributions	-	-	-	3,323	-	3,323
Change in Beneficial Interest in Remainder Trust	-	86,413	86,413	-	-	86,413
Contributions from Related Party	-	-	-	186,335	(186,335)	-
Change in Beneficial Interest in Perpetual Trust	-	2,770	2,770	-	-	2,770
Net Realized and Unrealized Loss on Investments	3,974,936	-	3,974,936	-	-	3,974,936
Other Income	37,518	-	37,518	-	(12,518)	25,000
Total Revenue	4,373,540	89,183	4,462,723	644,065	(339,156)	4,767,632
EXPENSES						
Program Grants	1,069,000	-	1,069,000	-	-	1,069,000
Other Program Activities	712,851	-	712,851	563,821	(121,339)	1,155,333
Total Program Expenses	1,781,851	-	1,781,851	563,821	(121,339)	2,224,333
Management and General	411,533	-	411,533	55,439	(31,482)	435,490
Total Expenses	2,193,384	-	2,193,384	619,260	(152,821)	2,659,823
EXCESS (DEFICIT) OF REVENUE OVER EXPENSE	2,180,156	89,183	2,269,339	24,805	(186,335)	2,107,809
OTHER INCOME						
Change in Value of Interest Rate Swap	-	-	-	71,370	-	71,370
Net Operating Revenue (Loss)	2,180,156	89,183	2,269,339	96,175	(186,335)	2,179,179
NONOPERATING EXPENSES						
Contribution to Related Party	(186,335)	-	(186,335)	-	186,335	-
Total Nonoperating Expenses	(186,335)	-	(186,335)	-	186,335	-
CHANGE IN NET ASSETS	1,993,821	89,183	2,083,004	96,175	-	2,179,179
Net Assets (Deficit) - Beginning of Year	37,823,735	1,464,002	39,287,737	(84,247)	-	39,203,490
NET ASSETS (DEFICIT) - END OF YEAR	$ 39,817,556	$ 1,553,185	$ 41,370,741	$ 11,928	$ -	$ 41,382,669