

SOUTHWEST WASHINGTON ACCOUNTABLE  
COMMUNITY OF HEALTH

Audited Financial Statements

For the Year Ended December 31, 2021



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Southwest Washington Accountable Community of Health (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Washington Accountable Community of Health as of December 31, 2021, and the changes in 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Southwest Washington Accountable Community of Health 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Southwest Washington Accountable Community of Health'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Washington Accountable Community of Health'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 Southwest Washington Accountable Community of Health's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobson, P.C.*

Portland, Oregon  
October 26, 2022

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
STATEMENT OF FINANCIAL POSITION  
December 31, 2021  
(With comparative totals for 2020)

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,172,122	\$ 2,350,456
Cash restricted by contract	17,292,158	16,987,090
Accounts and grants receivable	650,781	668,476
Prepaid expenses	37,214	57,685
 TOTAL ASSETS	 \$ 20,152,275	 \$ 20,063,707
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 809,126	\$ 1,873,960
Accrued expenses	46,988	69,095
Deferred revenue	2,401	-
Total liabilities	858,515	1,943,055
Net assets:		
Without donor restrictions	19,168,169	17,835,652
With donor restrictions	125,591	285,000
Total net assets	19,293,760	18,120,652
 TOTAL LIABILITIES AND NET ASSETS	 \$ 20,152,275	 \$ 20,063,707

See notes to financial statements.

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	2021			2020	
	Without Donor	With Donor	Total		Total
	<u>Restrictions</u>	<u>Restrictions</u>			
<b>Support and revenue:</b>					
Government grants - Medicaid Transformation	\$ 6,023,175	\$ -	\$ 6,023,175	\$ 5,167,640	
Private and other government grants	3,030,677	-	3,030,677	605,309	
Interest income	616	-	616	35,650	
Other income	98,376	-	98,376	79,453	
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>159,409</u>	<u>(159,409)</u>	<u>-</u>	<u>-</u>	
Total support and revenue	<u>9,312,253</u>	<u>(159,409)</u>	<u>9,152,844</u>	<u>5,888,052</u>	
<b>Expenses:</b>					
Program services	6,160,982	-	6,160,982	9,634,784	
Management and general	<u>1,818,754</u>	<u>-</u>	<u>1,818,754</u>	<u>1,817,627</u>	
Total expenses	<u>7,979,736</u>	<u>-</u>	<u>7,979,736</u>	<u>11,452,411</u>	
Change in net assets	1,332,517	(159,409)	1,173,108	(5,564,359)	
<b>Net assets:</b>					
Beginning of year	<u>17,835,652</u>	<u>285,000</u>	<u>18,120,652</u>	<u>23,685,011</u>	
End of year	<u>\$ 19,168,169</u>	<u>\$ 125,591</u>	<u>\$ 19,293,760</u>	<u>\$ 18,120,652</u>	

See notes to financial statements.

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	2021			2020 Total
	Program Services	Management and General	Total	
Partner investments	\$ 2,503,465	\$ -	\$ 2,503,465	\$ 8,290,759
Client assistance	1,742,957	-	1,742,957	-
Salaries and related expenses	797,713	590,434	1,388,147	1,336,625
Professional fees	1,031,895	1,096,750	2,128,645	1,462,789
Information technology	25,328	44,699	70,027	258,513
Facilities and equipment	6,706	58,503	65,209	61,576
Office, printing, postage and supplies	548	7,655	8,203	12,745
Travel and meetings	36,783	1,642	38,425	14,266
Other operating costs	15,587	19,071	34,658	15,138
 Total expenses	 <u>\$ 6,160,982</u>	 <u>\$ 1,818,754</u>	 <u>\$ 7,979,736</u>	 <u>\$ 11,452,411</u>

See notes to financial statements.

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,173,108	\$ (5,564,359)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
(Increase) decrease in:		
Accounts and grants receivable	17,695	2,692,147
Prepaid expenses	20,471	5,394
Increase (decrease) in:		
Accounts payable	(1,064,834)	(2,088,986)
Accrued expenses	(22,107)	(29,243)
Deferred revenue	2,401	-
Net cash flows from operating activities	126,734	(4,985,047)
 Net change in cash and cash equivalents	 126,734	 (4,985,047)
 Cash and cash equivalents - beginning of year	 19,337,546	 24,322,593
 Cash and cash equivalents - end of year	 \$ 19,464,280	 \$ 19,337,546
 <b>Reconciliation to statement of financial position:</b>		
Cash and cash equivalents	\$ 2,172,122	\$ 2,350,456
Cash restricted by contract	17,292,158	16,987,090
	<u>\$ 19,464,280</u>	<u>\$ 19,337,546</u>

See notes to financial statements.

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

1. DESCRIPTION OF ORGANIZATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Assets

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

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

Cash Restricted by Contract

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



SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Accounts and Grants Receivable

Accounts and grants receivable are reported at the amount management expects to collect on balances outstanding at year end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding will be immaterial. All accounts and grants received are due within one year.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. At December 31, 2021 and 2020, the Organization does not have property and equipment that meet the capitalization policy.

Revenue Recognition

Revenues from various sources are recognized as follows:

**Government grants:** A portion of the Organization's revenue is derived from government contracts and grants, which are conditional upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or otherwise met the conditions of specific contract or grant provisions. Revenues under the Healthier Washington Medicaid Transformation Project are recognized upon the submission, and approval by an independent assessor, of the Organization's semi-annual reports. Amounts received prior to satisfying conditions are reported as deferred revenue in the statement of financial position. The Organization has not received any advances. The Organization has been awarded approximately \$2.6 million in grants through June 30, 2023 that were not recognized at December 31, 2021 because the Organization has not yet incurred qualifying expenditures. Additionally, some of the Organization's grants do not specify a total award amount as the amounts are based on the availability of funds for approved projects.

**Contributions and Grants:** Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Donated Assets and Services

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

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2021 and 2020, the Organization received in-kind donations, reported with other income, of software licenses totaling \$96,000 and \$74,000, respectively, that are included in program expenses.

Functional Expenses

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

Income Tax Status

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

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

Use of Estimates

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

Summarized Financial Information for 2020

The financial information as of December 31, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Future Accounting Standard

Effective for financial statements for the year ending December 31, 2022, the Organization expects to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

Subsequent Events

The Organization has evaluated all subsequent events through October 26, 2022, the date the financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

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

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

	2021	2020
Cash and cash equivalents	\$ 19,464,280	\$ 19,337,546
Accounts and grants receivable	650,781	668,476
	20,115,061	20,006,022
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	(125,591)	(285,000)
Contract restrictions	(17,292,158)	(16,987,090)
Financial assets available for general expenditure	\$ 2,697,312	\$ 2,733,932

The Organization has restricted cash under its contract with the State of Washington Health Care Authority (HCA). As of December 31, 2021 and 2020, the Organization has received but not distributed \$17,292,158 and \$16,987,090 of HCA contract funds that are reported as restricted cash in the accompanying statement of financial position. These funds will be used for specific operating expenditures related to healthcare transformation projects, but the Organization does not consider the funds available for general expenditure.

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

4. LEASE COMMITMENT

The Organization leases an administrative office under an operating lease agreement expiring June 2023 with current monthly rent of \$2,834 plus a proportionate share of building operating costs. Rent expense, including the Organization's share of building operating costs, totaled approximately \$46,300 and \$43,500 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease commitments are as follows:

Year ending December 31, 2022	\$	34,000
2023		17,000
Total		<u>\$ 51,000</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	2021	2020
Community health improvement alignment	\$ 2,395	40,000
Pandemic impact in rural communities	<u>123,196</u>	<u>245,000</u>
Total net assets with donor restrictions	<u>\$ 125,591</u>	<u>\$ 285,000</u>

6. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$2.0 million and \$2.1 million as of December 31, 2021 and 2020, respectively.

The Organization's revenues are concentrated with 99% of total revenues coming from two entities during 2021 (91% from one entity during 2020). Approximately 94% of accounts and grants receivable at December 31, 2021 are due from one entity (99% from three entities in 2020).

SOUTHWEST WASHINGTON ACCOUNTABLE COMMUNITY OF HEALTH  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

7. CONTINGENCIES

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

8. RETIREMENT PLAN

The Organization has a 401(k) deferred compensation plan covering substantially all employees meeting certain eligibility requirement. The Organization matches 100% of employee's elective deferrals up to 3% of eligible compensation. Employer contributions to the plan totaled approximately \$35,000 and \$33,300 during 2021 and 2020, respectively.

9. RELATED PARTY ACTIVITIES

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

10. COMMITMENTS

The Organization entered into contractual agreements with contractors for care coordination services. The commitments remaining under the contracts total approximately \$120,000 at December 31, 2021.