

TIDEWELL FOUNDATION, INC.
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended September 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Tidewell Foundation, Inc.
Sarasota, Florida

We have audited the accompanying consolidated financial statements of Tidewell Foundation, Inc. (the "Foundation"), which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Trustees
Tidewell Foundation, Inc.

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Foundation as of September 30, 2021, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements as of and for the year ended September 30, 2020 were audited by other auditors whose report dated March 19, 2021, expressed an unmodified opinion on those statements.

MSL, P.A.

Certified Public Accountants

Tampa, Florida
April 14, 2022

TIDEWELL FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2021 and 2020

ASSETS

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,466,297	\$ 4,360,284
Pledges receivable	155,616	-
Other receivable	4,351	10,762
Prepaid expenses and other assets	143,876	54,622
TOTAL CURRENT ASSETS	6,770,140	4,425,668
Investments	62,122,064	16,555,188
Property and equipment, net	3,965,403	-
Other assets	24,043	-
TOTAL ASSETS	\$ 72,881,650	\$ 20,980,856

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 75,131	\$ 35,076
Deferred revenue	33,795	-
Due to affiliates, net	4,292,997	392,292
TOTAL CURRENT LIABILITIES	4,401,923	427,368
 COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restriction	67,553,716	19,664,921
With donor restriction	926,011	888,567
TOTAL NET ASSETS	68,479,727	20,553,488
TOTAL LIABILITIES AND NET ASSETS	\$ 72,881,650	\$ 20,980,856

The accompanying notes are an integral part of the consolidated financial statements

TIDEWELL FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended September 30, 2021 and 2020

	2021	2020
PUBLIC SUPPORT AND REVENUES		
Contributions	\$ 5,122,903	\$ 551,661
Investment return - operating, net	9,187,559	1,108,538
Thrift store and other	667,023	-
Net assets released from restrictions	180,971	16,967
TOTAL PUBLIC SUPPORT AND REVENUES	15,158,456	1,677,166
EXPENSES		
Program services	4,416,238	29,930
Management and general expenses	1,473,183	253,618
Fundraising	1,859,044	478,849
TOTAL EXPENSES	7,748,465	762,397
OPERATING INCOME	7,409,991	914,769
NET ASSET TRANSFER	40,478,804	18,750,152
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	47,888,795	19,664,921
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	104,577	152,940
Investment return, net	113,838	48,993
Net asset transfer	-	703,601
Net assets released from restrictions	(180,971)	(16,967)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	37,444	888,567
CHANGE IN NET ASSETS	47,926,239	20,553,488
NET ASSETS - BEGINNING OF YEAR	20,553,488	-
NET ASSETS - END OF YEAR	\$ 68,479,727	\$ 20,553,488

The accompanying notes are an integral part of the consolidated financial statements

TIDEWELL FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 47,926,239	\$ 20,553,488
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	30,874	-
Net asset transfer from affiliate	(40,478,804)	(19,453,753)
Net unrealized gains on investments	(4,215,614)	(1,014,270)
Changes in assets and liabilities		
Pledges receivable	(155,616)	-
Other receivable	6,411	(10,762)
Prepaid expenses	(89,254)	(54,622)
Other assets	(24,043)	-
Accounts payable	40,055	35,076
Deferred revenue	33,795	-
Due to affiliates	3,900,705	392,292
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,974,748	447,449
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(41,351,262)	(15,540,918)
Purchase of property and equipment	(3,996,277)	-
NET CASH USED IN INVESTING ACTIVITIES	(45,347,539)	(15,540,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net asset transfer from affiliate	40,478,804	19,453,753
NET CASH PROVIDED BY FINANCING ACTIVITIES	40,478,804	19,453,753
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,106,013	4,360,284
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,360,284	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,466,297	\$ 4,360,284

The accompanying notes are an integral part of the consolidated financial statements

TIDEWELL FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2021

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Foundation Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
Grant expense	\$ 4,295,861	\$ -	\$ -	\$ 4,295,861
Salaries and wages	76,410	1,169,018	-	1,245,428
Advertising	-	-	381,767	381,767
Professional fees	-	6,201	341,735	347,936
Employee benefits	13,530	206,994	-	220,524
Rent	13,378	-	204,675	218,053
Licenses and fees	-	7,297	190,920	198,217
Printing	-	211	164,027	164,238
Events and support services	7,275	-	138,230	145,505
Management fee	8,133	24,054	100,369	132,556
Patient care	-	-	80,238	80,238
Contract labor and services	-	2,572	74,103	76,675
Postage	-	-	62,334	62,334
Training	100	-	51,610	51,710
Depreciation and amortization	-	29,879	995	30,874
Utilities	1,492	2,578	20,254	24,324
Office supplies	59	654	22,111	22,824
Repairs and maintenance	-	5,666	5,303	10,969
Conference and meetings	-	-	10,219	10,219
Insurance	-	8,963	951	9,914
Housekeeping	-	7,500	750	8,250
Telephones	-	1,596	3,075	4,671
Accounting	-	-	5,000	5,000
Medical and small equipment	-	-	378	378
TOTAL OPERATING EXPENSES	\$ 4,416,238	\$ 1,473,183	\$ 1,859,044	\$ 7,748,465

The accompanying notes are an integral part of the consolidated financial statements

TIDEWELL FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Foundation Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
Professional fees	\$ -	\$ -	\$ 326,887	\$ 326,887
Salaries and wages	14,154	216,549	-	230,703
Management fee	3,063	-	46,857	49,920
Employee benefits	12,283	37,069	-	49,352
Licenses and fees	-	-	32,055	32,055
Printing	-	-	17,128	17,128
Patient care	-	-	16,685	16,685
Advertising	-	-	11,778	11,778
Office supplies	-	-	6,311	6,311
Training	-	-	5,937	5,937
Events and support services	200	-	3,800	4,000
Rent	230	-	3,515	3,745
Medical and small equipment	-	-	3,670	3,670
Postage	-	-	1,802	1,802
Accounting	-	-	1,500	1,500
Contract labor and services	-	-	606	606
Conference and meetings	-	-	318	318
TOTAL OPERATING EXPENSES	\$ 29,930	\$ 253,618	\$ 478,849	\$ 762,397

The accompanying notes are an integral part of the consolidated financial statements

TIDEWELL FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2021 and 2020

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Tidewell Foundation, Inc. is a not-for-profit organization incorporated on April 13, 2020 for the purpose of supporting the mission and programs of Tidewell Hospice, Inc., a Florida not-for-profit corporation, and its affiliated not-for-profit organizations, including, but not limited to, Stratum Health System, Inc., together with Stratum's subsidiary companies. Tidewell Foundation, Inc. was established during the year ended September 30, 2020, with the transfer of net assets of approximately \$19,454,000 from Tidewell Hospice, Inc. During the year ended September 30, 2021, the Foundation received a net asset transfer from Tidewell Hospice, Inc. of approximately \$40,479,000.

Tidewell Foundation, Inc. is a not-for-profit organization whose mission is to advance the understanding, participation, and support of Tidewell Hospice Inc. Tidewell Hospice, Inc. is a not-for-profit provider of in-patient and family care for those with advanced illness in Sarasota, Manatee, Charlotte and DeSoto counties of Florida. Effective October 1 2020, Tidewell Foundation, Inc. became the sole member of Tidewell Treasures Resale Shops, LLC ("Treasures") and Bella Caridad Properties, LLC ("Bella Caridad").

Stratum Health Systems, Inc. ("Stratum"), the Foundation's member, is also affiliated with numerous other entities providing healthcare, or related services in its service area, including Tidewell Hospice, Inc. On March 1, 2021, Legacy Empath Health, Inc. merged with Legacy Stratum Health System, Inc. under a newly formed holding company, Empath-Stratum, Inc., herein collectively referred to as Empath Health. A separate foundation supports Legacy Empath Health, Inc. and its affiliates.

Basis of Presentation

These consolidated statements include the accounts of Tidewell Foundation, Inc, Treasures, and Bella Caridad (collectively referred to herein, as the "Foundation"). All significant intercompany balances and transactions have been eliminated from these consolidated financial statements. The Foundation maintains its records using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts and disclosures reported in the consolidated financial statements. Actual results could differ from those estimates.

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents

All highly liquid debt securities with an initial maturity of three months or less, except those classified within investments, are considered cash equivalents.

Pledges Receivable

Pledges and bequests that are expected to be collected within one year or less are recorded at net realizable value. Pledges and bequests that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The pledges and bequests have been discounted using a rate commensurate with risk applicable during the time the pledge or bequest was made. Amortization of the pledge and bequest discounts are recognized as contribution revenue each year until the pledge or bequest is paid in full. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance is made for uncollectible contributions based on management's expectations regarding collection and previous collection experience.

Investments

Investments are reported at fair value. Fair value is determined using the quoted closing or latest bid prices. Interest and dividends and changes in unrealized gains and losses on equity securities are included in operating net investment returns, net of investment fees, unless restricted by donor. Changes in unrealized gains and losses on non-equity securities are included in non-operating net investment returns. Realized gains and losses on equity and non-equity investments are calculated based on proceeds received less cost and are included in operating income unless restricted by donor.

Fair Value Measurements and Financial Instruments

Fair value measurements of financial instruments are based on a three-tier hierarchy, which prioritizes the inputs used in measuring fair value (see Note 5). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying value of short-term financial instruments approximates their fair value.

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment

Property and equipment are stated at cost or, if donated to the Foundation, at fair value on the date of acquisition. Material long-lived additions and improvements are capitalized. Depreciation is provided over the estimated useful lives of the various classes of assets using the straight-line method. The estimated useful lives range from 3 to 40 years. Leasehold improvements are amortized over the lesser of their economic lives or the terms of their respective leases.

Gifts of long-lived assets are reported as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. If such events or changes have occurred indicating possible impairment, the Foundation uses an estimate of the future undiscounted net cash flows of the related assets over their remaining economic life in assessing whether the assets are recoverable. If impairment is determined to exist, any related impairment loss is calculated to adjust the carrying value of the assets to their fair value.

Net Assets

Net assets are presented based on the existence or absence of donor-imposed restrictions. In these consolidated financial statements, net assets are reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation, by the passage of time, or endowments with permanent restrictions which neither expire by the passage of time and cannot be fulfilled or removed by actions of the Foundation.

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

The Foundation has received a determination letter from the Internal Revenue Service (“IRS”) that it is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code (“IRC”). It is also exempt from state income tax pursuant to Florida law. Further, the Foundation is not a private foundation for federal tax purposes and qualifies for the charitable contribution deduction under IRC Section 170 as well as tax deductible bequests, devises, transfers or gifts under Section 2055, 2106, or 2522. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is potentially subject to income tax on net income that is derived from activities that are unrelated to its exempt purposes, if any. The Foundation had no unrelated business income during the years ended September 30, 2021 or 2020. Accordingly, these consolidated financial statements include no provision or liability for income taxes.

Revenue Recognition

Thrift Store Revenue:

Sales of donated household and clothing merchandise in the Foundation’s thrift stores are recognized as public support revenue when the goods are transferred to a customer and payment is received. Donated thrift store inventories and cost of sales are not recognized due to inherent uncertainties regarding their fair value and their immateriality to the consolidated financial statements.

Contributions

Contributions received and unconditional promises to give are recorded depending on the existence of donor restrictions and the nature of such restrictions, if they exist. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, those donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same accounting period in which the contribution is received, the contribution is reported as without donor restriction.

Bequests from wills are recorded at fair value and are recognized when the probate court declares the will valid and when amounts to be collected can be reasonably estimated. Increases or decreases in the fair value of the bequests between the date of recognition and the date of collection are recognized in the period in which the change becomes known.

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs are directly attributed to the specific program or supporting service, and other costs have been allocated using square footage, number of employees, or other approximate methods. Certain overhead items such as depreciation, interest, and insurance are allocated through the management fee.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. Those reclassifications had no impact on the previously reported change in net assets.

Subsequent Events

Subsequent events have been evaluated through April 14, 2022, the date which the consolidated financial statements were available to be issued.

In March 2022, Treasures finalized the acquisition and opening of a second retail location.

NOTE 2 - LIQUIDITY ANALYSIS

Financial assets available within one year of the balance sheet date to meet cash needs for general expenditures at September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,466,297	\$ 4,360,284
Current pledges receivable	155,616	-
Other receivable	<u>4,351</u>	<u>10,762</u>
	<u>\$ 6,626,264</u>	<u>\$ 4,371,046</u>

As part of a cash and liquidity management policy, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Additionally, excess cash is routinely invested in a portfolio of investment instruments to increase earnings. The investment portfolio includes investments readily convertible into cash to manage any unanticipated liquidity needs, if needed.

NOTE 3 - PLEDGES RECEIVABLE

Revenue from pledges are recorded net of a provision for uncollectible accounts. Pledges receivable with extended payment terms are recorded at the net present value of the anticipated payments using a discount rate of approximately 5%.

Pledges receivable at September 30, 2021 and 2020 are due as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	<u>\$ 155,616</u>	<u>\$ -</u>

NOTE 4 - INVESTMENTS

The composition of investments at September 30, 2021 and 2020 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investments:				
Money market funds	\$ 1,831,002	\$ 1,831,002	\$ 555,320	\$ 557,864
Certificates of deposit	-	-	500,000	534,623
Domestic equity mutual funds	37,154,302	44,048,274	8,946,072	11,579,514
Fixed income mutual funds	14,602,543	14,587,934	3,815,282	3,883,187
Commercial mortgage and asset backed securities	<u>1,580,089</u>	<u>1,654,854</u>	-	-
Total investments	<u>\$ 55,167,936</u>	<u>\$ 62,122,064</u>	<u>\$ 13,816,674</u>	<u>\$ 16,555,188</u>

Investment return, net, is comprised of the following for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unrealized gains	\$ 4,215,614	\$ 1,014,270
Realized gains	4,393,001	122,182
Interest income, net	<u>692,782</u>	<u>21,079</u>
Total investment return, net	<u>\$ 9,301,397</u>	<u>\$ 1,157,531</u>

Investments are subject to the risk of market fluctuations. Investment securities are exposed to various risks such as interest rate, counterparty nonperformance, market, and credit risks. Due to the level of risk associated with certain investment securities, and market volatility, it is at least reasonably possible that changes in the values of investment securities will occur in the near term.

NOTE 5 - FAIR VALUE MEASUREMENT

Mutual funds are valued at the net asset value (“NAV”) of shares held by the Foundation at year-end. The NAV is based on the value of the underlying assets owned by the mutual fund, minus its liabilities, and then divided by the number of shares outstanding.

The following table sets forth by level, within the fair value hierarchy, the Foundation’s financial instruments, measured at fair value as of September 30, 2021:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
Investments				
Money market funds	\$ 1,831,002	\$ -	\$ -	\$ 1,831,002
Domestic equity mutual funds	44,048,274	-	-	44,048,274
Fixed income mutual funds	14,587,934	-	-	14,587,934
Commercial mortgage and asset backed securities	-	1,654,854	-	1,654,854
Total investments	\$ 60,467,210	\$ 1,654,854	\$ -	\$ 62,122,064

The following table sets forth by level, within the fair value hierarchy, the Foundation’s financial instruments, measured at fair value as of September 30, 2020:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
Investments				
Money market funds	\$ 557,864	\$ -	\$ -	\$ 557,864
Certificates of deposit	-	534,623	-	534,623
Domestic equity mutual funds	11,579,514	-	-	11,579,514
Fixed income mutual funds	3,883,187	-	-	3,883,187
Total investments	\$ 16,020,565	\$ 534,623	\$ -	\$ 16,555,188

There were no transfers of investments within the levels of the fair value hierarchy during the years ended September 30, 2021 and 2020.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2021 and 2020:

	2021	2020
Land	\$ 1,105,500	\$ -
Buildings and improvements	2,794,500	-
Furniture and equipment	23,558	-
Leasehold improvements	12,409	-
Construction in progress	60,310	-
Total	3,996,277	-
Accumulated depreciation	(30,874)	-
Property and equipment, net	\$ 3,965,403	\$ -

Depreciation of property and equipment totaled approximately \$31,000 and \$-0- for the years ended September 30, 2021 and 2020, respectively.

NOTE 7 - TRANSACTIONS WITH AFFILIATES

The amount reflected as due to affiliates consist of funds owed to members of the Stratum affiliated group. These funds do not bear interest and are due on demand from the respective affiliates.

The due (to) from affiliates balances at September 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Stratum Health System, Inc.	\$ (108,162)	\$ (410,693)
SCATA Real Estate, LLC	(638,420)	(1,248)
Tidewell Hospice, Inc.	(3,546,415)	16,666
Tidewell Treasures Resale Shops, LLC	-	2,983
Total Due to Affiliates, net	<u>\$ (4,292,997)</u>	<u>\$ (392,292)</u>

Stratum provides administrative support and allocates overhead costs which support the programs of the collective group. Total administrative and overhead costs charged to the Foundation in the form of a management fee from its member totaled approximately \$133,000 and \$50,000 for the years ended September 30, 2021 and 2020, respectively.

The Foundation provides support to affiliates through contributions. The amounts contributed to affiliates at September 30, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Tidewell Hospice, Inc.	\$ 3,588,144	\$ -
SCATA Real Estate, LLC	637,807	-
Stratum Health System, Inc.	69,910	-
Total	<u>\$ 4,295,861</u>	<u>\$ -</u>

SCATA Real Estate, LLC is a single member LLC owned by Stratum Health System, Inc. During the year ended September 30, 2020, the Foundation entered into an annual lease agreement with SCATA for office property. The lease has an option to extend for three (3) additional terms of five (5) years each. Monthly lease payments total \$1,248, for the years ended September 30, 2021 and 2020, total lease expense was approximately \$49,000 and \$4,000, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The Foundation receives donations for the benefit of its affiliated agencies. The majority of the donations are unrestricted and may be used at the discretion of the Foundation. Donations received with donor restrictions that limit the use of the funds are reported as a restricted contribution. The Foundation has a pooled fund for contributions restricted in nature. The monies are invested and earnings are allocated proportionately to the specific purpose funds. Funds are released from restrictions as the conditions for restrictions are met.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions are comprised of the following funds, including earnings and other contributions at September 2021 and 2020:

Net Assets with Donor Restrictions Temporary in Nature	2021	2020
Assisting in-patient and family care for those with advanced illness in Sarasota, Manatee, Charlotte and DeSoto counties of Florida.	\$ 98,252	\$ 133,473
Net Assets with Donor Restrictions Permanent in Nature	2021	2020
Assisting in-patient and family care for those with advanced illness in Sarasota, Manatee, Charlotte and DeSoto counties of Florida.	\$ 827,759	\$ 755,094

NOTE 9 - ENDOWMENTS

Net assets which are defined as endowments consist of donor-restricted funds that have been limited by the donors to be held for a specified time period or which have been board-designated for specific purposes.

Management has interpreted the applicable laws related to endowments as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies these net assets with donor restrictions at the original value of the gifts donated to the permanent endowment. The income derived from those assets is expendable to support the various programs sponsored by the Foundation in accordance with the donor's wishes.

The remaining portion of the net assets with donor restriction remain classified as restricted net assets until those amounts are appropriated for expenditures by the Foundation consistent with the donor's wishes.

The following table shows the activities in the Foundation's endowments for the years ended September 30, 2021 and 2020:

Endowment net assets, September 30, 2019	\$ -
Additions	706,101
Investment earnings	48,993
Appropriation of endowment assets for expenditure	-
Endowment net assets, September 30, 2020	<u>755,094</u>
Additions	6,500
Investment earnings	113,838
Appropriation of endowment assets for expenditure	<u>(47,673)</u>
Endowment net assets, September 30, 2021	<u>\$ 827,759</u>

NOTE 9 - ENDOWMENTS (Continued)

The Foundation has adopted investment policies that attempt to preserve and enhance the purchasing power of the Foundation's assets. Accordingly, the Foundation seeks a long-term rate of return on investments that will grow its assets by an amount sufficient to offset inflation, required spending and program fees and expenses, over a full market cycle, while maintaining sufficient liquidity to meet obligations arising from planned activities.

NOTE 10 - BOARD DESIGNATED NET ASSETS

The Foundation has approximately \$18,968,000 and \$16,781,000 of net assets that have been board-designated to support funding for the future needs of Tidewell Hospice, Inc. and/or its affiliated entities as of September 30, 2021 and 2020, respectively.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events, as specified by the donors. Net assets with donor restrictions released during the years ended September 30, 2021 and 2020 consist of the following:

Released from Restrictions	2021	2020
Blue Butterfly Children's Grief	\$ 72,403	\$ -
Endowment appropriations	47,673	-
Assisting in-patient and family care	41,523	-
Humanitarian and other purposes	19,372	16,967
Total net assets released from restrictions	\$ 180,971	\$ 16,967

Concentrations and Credit Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, principally consist of cash and cash equivalents, pledges and bequests receivable due (to) from affiliates. Cash deposits are federally insured in limited amounts.

Investments are subject to the risk of market fluctuations. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and market volatility, it is reasonably possible that changes in the values of investment securities will occur in the near term.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Operating Leases

Approximate future minimum lease payments as of September 30, 2021 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 309,000
2023	314,000
2024	207,000
2025	172,000
2026	145,000
Total	<u>\$ 1,147,000</u>

The Foundation leases retail space for its thrift stores under operating leases. The lease expense totaled approximately \$169,000 and \$-0- for the years ended September 30, 2021 and 2020, respectively.

The Foundation has elected to adopt Accounting Standards Update (“ASU”) 2020-05, which extended the effect date of implementation of Topic 842, *Leases* (the “New Lease Standard”). Effective October 1, 2022, the provisions of the New Lease Standard require organizations to recognize most leases on the balance sheets as lease liabilities with a right-to-use asset.

Worker’s Compensation Insurance

Empath Health maintains a self-funded medical insurance plan for all full-time employees and their eligible dependents, including Foundation employees. The amounts funded to the plan are based on medical claims processed and submitted for payment on a weekly basis by a third-party plan administrator. Empath Health purchased a stop-loss liability insurance policy (reinsurance) that reimburses Empath Health for individual participant claims incurred in excess of \$300,000 with a maximum limit of liability of \$1,000,000.

Employee Health Insurance

The Foundation is a covered member under Empath Health’s employee health insurance plan. Empath Health is self-insured, in which the policy has a loss retention limit of \$300,000 per occurrence. Management believes there is adequate provision for all claims incurred but not paid in the financial statements.

Insurance and Legal Matters

The Foundation is a covered member under Empath Health’s claims-made professional liability insurance policy and is subject to claims related to various matters arising in the ordinary course of conducting its operations. These matters are in various stages of litigation and, due to the inherent uncertainties involved, the ultimate outcomes are unable to be determined. As a result, adjustments, if any, resulting from the resolution of these matters have not been reflected in these financial statements. Possible losses, in the event of unfavorable outcomes in these matters, could result in a material adverse effect on the Foundation’s financial position.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

Employee Benefit Plan

The Foundation's affiliated sponsor (Legacy Stratum Health Systems, Inc.) maintained a 403(b) plan covering all employees who met certain eligibility requirements, as defined by the plan. Eligible participants electing participation are required to contribute not less than 1% nor greater than the maximum allowable amount pursuant to current IRS guidelines. The Foundation's contribution was determined annually by the Board of Trustees.

Effective January 1, 2022, Legacy Empath Health, Inc. and Legacy Stratum Health Systems, Inc. merged the separate Legacy employee benefit plans, to form a single 403(b) plan. All employees are auto-enrolled into the plan at a deferral rate of 4%, with a 1% per year auto-escalation annually until a participant reaches an 8% deferral rate. Empath Health matches the first 50% of employee contributions up to 8%. All contributions are subject to the maximums pursuant to current IRS guidelines.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Foundation's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to determine the impact of COVID-19 on its operations. These consolidated financial statements do not include any adjustments related to the ultimate outcome of these uncertainties.