

**TIDEWELL FOUNDATION, INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Years Ended September 30, 2023 and 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

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, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

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, 2023 and 2022, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 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 Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Trustees  
Tidewell Foundation, Inc.

## **Auditor's Responsibilities for the Audit of the 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 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, including omissions, 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 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 Foundation'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 Foundation'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.

**MSL, P.A.**

Certified Public Accountants

Tampa, Florida  
April 1, 2024

**TIDEWELL FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2023 and 2022**

**ASSETS**

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,312,027	\$ 4,664,086
Pledges receivable	205,459	157,154
Other receivable	57,272	4,489
Prepaid expenses and other assets	212,590	127,555
TOTAL CURRENT ASSETS	4,787,348	4,953,284
Investments	60,127,311	52,471,176
Property and equipment, net	4,879,224	4,995,276
Right-of-use lease assets, net	370,430	-
Other assets	25,718	25,718
TOTAL ASSETS	\$ 70,190,031	\$ 62,445,454

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 90,016	\$ 89,380
Current portion of right-of-use lease obligations	141,997	-
Due to affiliates, net	4,972,139	2,688,698
TOTAL CURRENT LIABILITIES	5,204,152	2,778,078
Right-of-use lease obligations, less current portion	229,009	-
TOTAL LIABILITIES	5,433,161	2,778,078
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>NET ASSETS</b>		
Without donor restriction	63,610,800	58,784,611
With donor restriction	1,146,070	882,765
TOTAL NET ASSETS	64,756,870	59,667,376
TOTAL LIABILITIES AND NET ASSETS	\$ 70,190,031	\$ 62,445,454

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, 2023 and 2022**

	2023	2022
<b>PUBLIC SUPPORT AND REVENUES</b>		
Contributions	\$ 4,727,142	\$ 6,554,985
Investment return - operating, net	7,468,589	(9,602,794)
Thrift store and other	1,339,924	1,123,875
Net assets released from restrictions	26,384	10,349
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>13,562,039</b>	<b>(1,913,585)</b>
<b>EXPENSES</b>		
Program services	6,444,045	14,490,025
Management and general expenses	827,099	512,494
Fundraising	1,426,423	1,814,293
<b>TOTAL EXPENSES</b>	<b>8,697,567</b>	<b>16,816,812</b>
<b>OPERATING INCOME (LOSS)</b>	<b>4,864,472</b>	<b>(18,730,397)</b>
<b>OTHER CHANGES</b>		
Other non-operating	(38,283)	-
Net asset transfer	-	9,961,292
<b>TOTAL OTHER CHANGES</b>	<b>(38,283)</b>	<b>9,961,292</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>4,826,189</b>	<b>(8,769,105)</b>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	158,445	68,287
Investment return, net	131,244	(101,184)
Net assets released from restrictions	(26,384)	(10,349)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>263,305</b>	<b>(43,246)</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,089,494</b>	<b>(8,812,351)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>59,667,376</b>	<b>68,479,727</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 64,756,870</b>	<b>\$ 59,667,376</b>

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

# TIDEWELL FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,089,494	\$ (8,812,351)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization of property and equipment	202,931	135,090
Non-cash portion of rent on right-to-use operating leases	576	-
Net asset transfer from affiliate	-	(9,961,292)
Net change in unrealized (losses) gains on investments	(6,892,592)	10,524,361
Changes in assets and liabilities:		
Pledges receivable	(48,305)	(1,538)
Other receivable	(52,783)	(138)
Prepaid expenses	(85,035)	16,321
Other assets	-	(1,675)
Accounts payable	636	14,249
Deferred revenue	-	(33,795)
Due to affiliates	2,283,441	(1,604,299)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	498,363	(9,725,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in investments	(763,543)	(873,473)
Purchase of property and equipment	(86,879)	(1,164,963)
NET CASH USED IN INVESTING ACTIVITIES	(850,422)	(2,038,436)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net asset transfer from affiliate	-	9,961,292
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	9,961,292
NET CHANGE IN CASH AND CASH EQUIVALENTS	(352,059)	(1,802,211)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,664,086	6,466,297
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,312,027	\$ 4,664,086

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

# TIDEWELL FOUNDATION, INC.

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended September 30, 2023

	<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	\$ 4,783,352	\$ -	\$ 117,566	\$ 4,900,918
Salaries and wages	1,012,138	289,182	144,592	1,445,912
Rent	326,878	-	25,183	352,061
Events and support services	25,664	-	230,971	256,635
Employee benefits	176,842	50,526	25,263	252,631
Licenses and fees	-	92,623	154,221	246,844
Contract labor and services	-	20,443	185,035	205,478
Depreciation and amortization	-	178,081	24,850	202,931
Management fee	38,987	47,450	96,275	182,712
Advertising	-	1,217	161,599	162,816
Payroll Taxes	71,782	20,509	10,254	102,545
Professional fees	-	-	64,211	64,211
Utilities	5,313	29,886	17,932	53,131
Office supplies	-	4,712	11,685	16,397
Repairs and maintenance	3,089	36,133	11,221	50,443
Printing	-	-	44,835	44,835
Insurance	-	29,554	3,677	33,231
Postage	-	-	26,515	26,515
Housekeeping	-	25,248	1,060	26,308
Accounting	-	-	23,000	23,000
Training	-	65	18,284	18,349
Recruiting	-	-	15,000	15,000
Conference and meetings	-	-	9,341	9,341
Telephones	-	720	3,669	4,389
Medical and small equipment	-	346	184	530
Miscellaneous	-	404	-	404
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,444,045</b>	<b>\$ 827,099</b>	<b>\$ 1,426,423</b>	<b>\$ 8,697,567</b>

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



**TIDEWELL FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2022**

	<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	\$ 12,935,651	\$ -	\$ -	\$ 12,935,651
Salaries and wages	1,015,289	90,643	313,522	1,419,454
Rent	298,549	-	17,190	315,739
Events and support services	14,527	-	276,014	290,541
Advertising	-	343	274,762	275,105
Contract labor and services	-	24,381	216,582	240,963
Employee benefits	163,442	46,154	23,288	232,884
Licenses and fees	-	50,629	167,099	217,728
Management fee	34,396	50,061	87,523	171,980
Professional fees	-	1,142	157,816	158,958
Depreciation and amortization	-	117,770	17,320	135,090
Training	-	-	90,538	90,538
Printing	-	1,993	79,549	81,542
Utilities	-	34,572	19,336	53,908
Repairs and maintenance	4,776	30,722	4,007	39,505
Payroll Taxes	23,395	3,872	6,154	33,421
Housekeeping	-	29,216	1,523	30,739
Insurance	-	21,615	567	22,182
Conference and meetings	-	-	21,637	21,637
Postage	-	-	20,017	20,017
Office supplies	-	8,045	10,996	19,041
Medical and small equipment	-	-	5,700	5,700
Telephones	-	720	3,153	3,873
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 14,490,025</b>	<b>\$ 511,878</b>	<b>\$ 1,814,293</b>	<b>\$ 16,816,196</b>

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

# **TIDEWELL FOUNDATION, INC.**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended September 30, 2023 and 2022**

### **NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Operations**

Tidewell Foundation, Inc. (the “Foundation”) is a not-for-profit foundation incorporated on April 13, 2020, to advance the understanding, participation, and support of Tidewell Hospice Inc. (“Tidewell Hospice”), a Florida not-for-profit corporation, and its affiliated not-for-profit foundations, including, but not limited to, Stratum Health System, Inc., together with Stratum’s subsidiary companies. During the year ended September 30, 2022, the Foundation received a net asset transfer of approximately \$9,961,000 from Stratum Health, Inc. (“Legacy Stratum Health”).

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, Empath Health, Inc. (“Legacy Empath Health”) merged with 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, and its affiliates.

#### **New Accounting Standard Adoption and 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”).

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

**New Accounting Standard Adoption and Basis of Presentation** *(Continued)*

On October 1, 2022, the Foundation adopted Accounting Standards Update 2016-02, *Leases* (“ASC 842”) that requires all non-cancellable leases greater than 12 months to be recognized on the consolidated balance sheet (see Note 12). The Foundation utilized the modified retrospective approach to record the leased assets and liabilities as of October 1, 2022. The Foundation further elected to utilize the package of available practical expedients which allowed the Foundation to retain (a) the historical assessments of whether contracts are or contain leases (b) lease classification and (c) accounting recognition of any initial direct costs. There was no impact on previously reported net assets as a result of this adoption.

**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.

**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.

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

**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.

**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.

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

**Net Assets** *(Continued)*

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.

**Income Taxes**

The Foundation has received a determination letter from the Internal Revenue Service (“IRS”) that it is exempt from federal income tax as a Foundation 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 Foundation 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, 2023 or 2022. 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 2022 financial statements have been reclassified to conform to the 2023 presentation. Those reclassifications had no impact on the previously reported change in net assets.

**Subsequent Events**

Subsequent events have been evaluated through April 1, 2024, the date which the consolidated financial statements were available to be issued.

**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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,312,027	\$ 4,664,086
Current pledges receivable	205,459	157,154
Other receivable	57,272	4,489
	<u>\$ 4,574,758</u>	<u>\$ 4,825,729</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 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, 2023 and 2022 are due as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	<u>\$ 205,459</u>	<u>\$ 157,154</u>

### NOTE 4 - INVESTMENTS

The composition of investments at September 30, 2023 and 2022 is as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Investments:				
Money market funds	\$ 3,446,523	\$ 3,446,523	\$ 3,433,034	\$ 3,433,034
Domestic equity mutual funds	35,300,440	40,379,215	37,924,547	36,220,036
Fixed income mutual funds	16,952,851	15,361,441	13,444,795	11,692,916
Commercial mortgage and asset backed securities	<u>1,107,539</u>	<u>940,132</u>	1,241,434	1,125,190
Total investments	<u>\$ 56,807,353</u>	<u>\$ 60,127,311</u>	<u>\$ 56,043,810</u>	<u>\$ 52,471,176</u>

Investment return, net, is comprised of the following for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Change in unrealized gains (losses)	\$ 6,892,592	\$ (10,524,361)
Realized (losses) gains	(331,982)	79,564
Interest income, net of investment fees	<u>1,039,223</u>	<u>740,819</u>
Total investment return, net	<u>\$ 7,599,833</u>	<u>\$ (9,703,978)</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, 2023:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
<b>Investments</b>				
Money market funds	\$ 3,446,523	\$ -	\$ -	\$ 3,446,523
Domestic equity mutual funds	40,379,215	-	-	40,379,215
Fixed income mutual funds	15,361,441	-	-	15,361,441
Commercial mortgage and asset backed securities	-	940,132	-	940,132
Total investments	<u>\$ 59,187,179</u>	<u>\$ 940,132</u>	<u>\$ -</u>	<u>\$ 60,127,311</u>

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, 2022:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
<b>Investments</b>				
Money market funds	\$ 3,433,034	\$ -	\$ -	\$ 3,433,034
Domestic equity mutual funds	36,220,036	-	-	36,220,036
Fixed income mutual funds	11,692,916	-	-	11,692,916
Commercial mortgage and asset backed securities	-	1,125,190	-	1,125,190
Total investments	<u>\$ 51,345,986</u>	<u>\$ 1,125,190</u>	<u>\$ -</u>	<u>\$ 52,471,176</u>

There were no transfers of investments within the levels of the fair value hierarchy during the years ended September 30, 2023 and 2022.

## NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of September 30, 2023 and 2022:

	2023	2022
Land	\$ 1,105,500	\$ 1,105,500
Buildings and improvements	3,498,960	2,811,718
Furniture and equipment	219,101	219,608
Leasehold improvements	116,829	108,862
Construction in progress	303,706	915,551
Total	<u>5,244,096</u>	<u>5,161,239</u>
Accumulated depreciation	<u>(364,872)</u>	<u>(165,963)</u>
Property and equipment, net	<u>\$ 4,879,224</u>	<u>\$ 4,995,276</u>

Depreciation of property and equipment totaled approximately \$203,000 and \$135,000 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Stratum Health System, Inc.	\$ 7,333,200	\$ 6,562,845
KB Health Solutions, LLC	513	682
Corpas Home Health Care, LLC	12	33
Empath Health, Inc.	(3,194)	(3,194)
Empath Payroll Services, LLC	(106,910)	-
Tidewell Home Health, LLC	(700,000)	(699,952)
Empath Real Estate LLCs	(899,458)	(853,391)
Heal at Home Healthcare, LLC	(1,300,000)	(1,300,000)
Connexis Medical Services, LLC	(1,904,829)	(1,377,573)
Empath-Stratum Inc.	(2,186,327)	(1,036,248)
Tidewell Hospice, Inc.	(5,205,146)	(3,981,900)
Total due to affiliates, net	<u>\$ (4,972,139)</u>	<u>\$ (2,688,698)</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 \$183,000 and \$172,000 for the years ended September 30, 2023 and 2022, respectively.

The Foundation provides support to affiliates through contributions. The amounts contributed to affiliates during the years ended September 30, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Tidewell Hospice, Inc.	\$ 4,091,612	\$ 6,769,030
Connexis Medical Services, LLC	528,177	1,450,000
Hospice Foundation of the Florida Suncoast, Inc.	50,000	-
Stratum Health System, Inc.	-	2,628,093
Heal at Home Healthcare, LLC	-	1,300,000
Tidewell Home Health, LLC	-	700,000
Total	<u>\$ 4,669,789</u>	<u>\$ 12,847,123</u>

## 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.

Net assets with donor restrictions are comprised of the following funds, including earnings and other contributions at September 2023 and 2022:

<b>Net Assets with Donor Restrictions</b> <b>Temporary in Nature</b>	<b>2023</b>	<b>2022</b>
Assisting in-patient and family care for those with advanced illness in Sarasota, Manatee, Charlotte and DeSoto counties of Florida	<b>\$ 180,650</b>	<b>\$ 155,190</b>
<b>Net Assets with Donor Restrictions</b> <b>Permanent in Nature</b>	<b>2023</b>	<b>2022</b>
Assisting in-patient and family care for those with advanced illness in Sarasota, Manatee, Charlotte and DeSoto counties of Florida	<b>\$ 965,420</b>	<b>\$ 727,575</b>

## 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.

**NOTE 9 - ENDOWMENTS (Continued)**

The following table shows the activities in the Foundation's endowments for the years ended September 30, 2023 and 2022:

Endowment net assets, September 30, 2021	\$ 827,759
Additions	1,000
Investment earnings	(101,184)
Appropriation of endowment assets for expenditure	-
Endowment net assets, September 30, 2022	<u>727,575</u>
Additions	106,601
Investment earnings	131,244
Appropriation of endowment assets for expenditure	-
<b>Endowment net assets, September 30, 2023</b>	<b><u>\$ 965,420</u></b>

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 \$18,918,000 and \$18,968,000 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, 2023 and 2022, 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, 2023 and 2022 consist of the following:

<u>Released from Restrictions</u>	<u>2023</u>	<u>2022</u>
Volunteer Hospice Doula Program	\$ 24,000	\$ -
Wishes Fund	2,384	-
Home Health Aide Training Program	-	10,349
Total net assets released from restrictions	<b><u>\$ 26,384</u></b>	<b><u>\$ 10,349</u></b>

## NOTE 12 - COMMITMENTS AND CONTINGENCIES

### 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.

### Operating Leases

The Foundation leases retail space for its thrift stores under operating leases. All non-cancellable leases with terms greater than 12 months are recorded as both right-of-use operating lease assets and operating lease obligations based upon the present value of the lease payments. The Foundation considers clauses for renewals and rent escalations in the determination of lease payments, when appropriate. The Foundation has elected to exclude any payments associated with a lease agreement that are for services other than the rental of the specific leased asset. The Foundation utilizes a risk free rate to discount the lease payments whenever the lease does not provide for a readily determinable implicit discount rate. All leases during the year ended September 30, 2023 were classified as operating leases.

For the year ended September 30, 2023, the weighted average term of the Foundation's operating leases was 2.8 years, and the weighted average discount rate was 4.02%.

Amounts reflected in the consolidated financial statements are as follows:

<b>Right-of-Use Operating Lease Assets:</b>	
Asset recognized as of October 1, 2022	\$ 586,760
Additions recognized during 2023	-
Less amount charged to lease expense during 2023	<u>(216,330)</u>
Right-of-use lease assets, net at September 30, 2023	<u>\$ 370,430</u>
<b>Right-of-Use Operating Lease Obligations:</b>	
Obligations recognized as of October 1, 2022	\$ 586,760
Additions recognized during 2023	-
Plus amount charged to lease expense during 2023	17,658
Less amount paid during 2023	<u>(233,412)</u>
Subtotal at September 30, 2023	371,006
Less: current portion	<u>(141,997)</u>
Right-of-use lease obligations at September 30, 2023	<u>\$ 229,009</u>

## NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

### Operating Leases (Continued)

#### Lease Expense on Right-of-Use Operating Leases:

Total rent and other lease expense during 2022	\$ 352,061
Less: other short-term leases	<u>(118,073)</u>

Lease expense on right-of-use leases for the year ended September 30, 2023	<u>\$ 233,988</u>
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Rent expense recognized for the year ended September 30, 2022 for the previous lease standard was approximately \$315,000.

The following schedule outlines the approximate undiscounted cash outflows for rent due under the operating leases as of September 30, 2023:

<u>Year Ending September 30,</u>	<u>Amount</u>
2024	\$ 154,000
2025	129,000
2026	<u>109,000</u>
Total minimum lease payments	392,000
Less amount representing interest	<u>(21,000)</u>
Right-of-use lease liability	<u>\$ 371,000</u>

Cash paid for leases during the year ended September 30, 2023 and 2022 was approximately \$352,000 and \$599,000, respectively.

### 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 \$1,950,000.

## **NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)**

### **Employee Benefit Plan**

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

Effective January 1, 2022, Legacy Empath Health and Legacy Stratum Health 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.

Empath Health contributed approximately \$3,556,000 and \$3,289,000 for the years ended September 30, 2023 and 2022.

### **Insurance and Legal Matters**

The Foundation is a covered member under Empath Health's claims-made professional liability insurance policy. Losses in the event of unfavorable outcomes in these matters, if any, could result in a material adverse effect on the Foundation's financial position.

### **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.

### **Hurricane Ian**

During the year ended September 30, 2023, in the aftermath of Hurricane Ian, there were costs incurred related to the impact of this hurricane on Empath Health's service areas including Sarasota, Charlotte, and Lee Counties. These costs included office closures, lost admissions and census, and clean-up costs, as well as lost revenues for two inpatient units that had to be closed for repairs. The Foundation's costs related to Hurricane Ian were approximately \$38,000, and recognized as a component of other changes. Empath Health has also applied for FEMA assistance, however the process is ongoing, and the amount, if any, recovered from FEMA cannot be estimated at this time.