



Report of Independent Auditors
and Financial Statements

LifeCenter Northwest

December 31, 2022 and 2021

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Report of Independent Auditors

The Board of Directors
LifeCenter Northwest

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LifeCenter Northwest, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LifeCenter Northwest as of December 31, 2022 and 2021, and the changes in its net assets 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 (GAAS). 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 LifeCenter Northwest 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2022, LifeCenter Northwest adopted new Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The adoption of this standard resulted in additional footnote disclosures and had a significant impact on the statement of financial position through the recognition of right-of-use assets and lease liabilities. LifeCenter Northwest adopted the new standard using the transition method provided in ASU 2018-11 such that prior period amounts are not adjusted and continue to be reported in accordance with Accounting Standards Codification 840, *Leases*. Our opinion is not modified with respect to this matter.

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 LifeCenter Northwest'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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 LifeCenter Northwest'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 LifeCenter Northwest'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.



Everett, Washington

April 3, 2023

Financial Statements

LifeCenter Northwest
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,828,334	\$ 23,964,483
Accounts receivable	9,056,478	7,763,305
Medicare receivable, net	2,553,397	3,740,290
Other receivables	127,993	57,092
Short-term investments	17,184,366	2,473,131
Prepaid expenses and other current assets	961,115	695,009
Total current assets	37,711,683	38,693,310
PROPERTY AND EQUIPMENT		
Furniture and equipment	1,173,586	1,334,326
Leasehold improvements	1,428,933	1,428,933
	2,602,519	2,763,259
Accumulated depreciation and amortization	(1,955,971)	(1,925,962)
Total property and equipment, net	646,548	837,297
Other long-term assets	339,265	354,451
Operating lease right-of-use assets, net	1,325,517	-
Total assets	\$ 40,023,013	\$ 39,885,058
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,435,791	\$ 4,724,619
Accrued salaries and related benefits	3,051,271	2,734,167
Accrued medical liabilities	2,766,251	2,702,830
Lease liability, current portion	-	27,453
Deferred rent, current portion	-	57,934
Lease liabilities, current portion, net	582,975	-
Operating lease deferred tenant improvement allowance, current portion	87,955	88,731
Total current liabilities	8,924,243	10,335,734
Deferred rent, net of current portion	-	231,001
Deferred tenant improvement allowance, net of current portion	144,007	231,963
Operating lease liabilities, net of current portion, net	974,293	-
Other liabilities	241,157	256,343
Total liabilities	10,283,700	11,055,041
NET ASSETS		
Without donor restrictions	29,739,313	28,830,017
Total liabilities and net assets	\$ 40,023,013	\$ 39,885,058

See accompanying notes.

LifeCenter Northwest
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022	2021
REVENUE AND SUPPORT		
Procurement revenue	\$ 50,128,196	\$ 48,700,960
Import revenue	4,883,700	3,906,900
Contributions	620,837	665,654
Investment income	157,901	5,421
Research and other revenue	45,024	54,408
	55,835,658	53,333,343
EXPENSES		
Procurement services and program support	46,846,448	42,872,118
Public education	1,437,034	1,282,666
	48,283,482	44,154,784
Management and general	6,642,880	6,585,394
	54,926,362	50,740,178
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	909,296	2,593,165
NET ASSETS, beginning of year	28,830,017	26,236,852
NET ASSETS, end of year	\$ 29,739,313	\$ 28,830,017

See accompanying notes.

LifeCenter Northwest
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 909,296	\$ 2,593,165
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	254,448	261,893
Unrealized (loss) gain on investments	(157,901)	122,575
Loss on disposal of property and equipment	15,099	-
Changes in operating assets and liabilities		
Accounts receivable and other receivables	(1,364,074)	264,373
Medicare receivable	1,186,893	(2,260,086)
Prepaid expenses and other assets	(250,920)	(104,429)
Operating lease right of use asset, net	395,196	-
Accounts payable, accrued salaries and benefits, and accrued medical liabilities	(1,923,489)	2,586,992
Deferred rent and tenant improvement allowance	(88,732)	(131,769)
Operating lease liabilities	(452,380)	-
Deferred compensation	-	(28,381)
	<u>(1,476,564)</u>	<u>3,304,333</u>
Net cash from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(78,798)	(150,927)
Purchase of investments	(27,089,067)	(69,278)
Proceeds from sales of investments	12,535,733	200,000
	<u>(14,632,132)</u>	<u>(20,205)</u>
Net cash from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on finance lease	(27,453)	(35,106)
	<u>(27,453)</u>	<u>(35,106)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(16,136,149)	3,249,022
CASH AND CASH EQUIVALENTS, beginning of year	<u>23,964,483</u>	<u>20,715,461</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 7,828,334</u>	<u>\$ 23,964,483</u>

See accompanying notes.

LifeCenter Northwest

Notes to Financial Statements

Note 1 – Organization and Significant Accounting Policies

Organization – LifeCenter Northwest (the Organization), a nonprofit corporation, is the certified organ procurement organization (OPO) for Montana, Alaska, Northern Idaho, and most of Washington that began operations January 1, 1997. It is the mission of the Organization to provide the bridge between the loss of life and the gift of life through organ and tissue donation and transplantation. The Organization is dedicated to promoting organ and tissue donations to benefit the greatest number of people through transplantation.

Basis of presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets not subject to donor restrictions, as well as voluntary reserves such as separate components of board-designated net assets.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. As of December 31, 2022 and 2021, the Organization had no net assets subject to donor restrictions.

Contributions with donor-imposed restrictions that are met in the same year as received are reported as revenues within net assets without donor restrictions.

Cash and cash equivalents – The Organization defines cash and cash equivalents to include demand deposits, savings accounts, and investments with an original maturity of three months or less, excluding assets whose use is limited or included in its investment portfolio. The Organization maintains its cash and cash equivalent accounts at financial institutions in amounts, which at times, may exceed federally insured limits.

Accounts receivable, other receivables, and revenue – Revenue includes fees for human organ and tissue recovery services provided to transplant hospitals, tissue processing and distribution agencies, other organ procurement organizations, and medical research organizations. Revenues are reported as increases in net assets. No interest is charged on organ and tissue related receivables.

The Organization determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a receiving organ/tissue party,
- Identification of the performance obligations in the contract,
- Determination of the transaction reimbursement,
- Allocation of the transaction reimbursement to the performance obligations in the contract, and
- Recognition of revenue when, or as, the Organization satisfies a performance obligation.

LifeCenter Northwest

Notes to Financial Statements

The Organization has contracts with receiving organ/tissue parties to furnish organs or tissues to health care organizations for transplantation or for research purposes. As a practical expedient, the Organization has applied a portfolio approach for contracts with similar characteristics as management reasonably expects the effects of applying the portfolio approach would not differ materially from evaluating each individual contract. As part of its assessment of each contract, the Organization evaluates certain factors including the receiving parties ability to pay or credit risk. For each contract, the Organization considers the promise to fulfill the services provided, each of which is distinct, to be the identified performance obligations. For each recovery of organs or tissues, the Organization recognizes revenue at a point in time as a distinct and separate performance obligation.

The Organization has identified one performance obligation for organ revenue, which is met upon delivery of the organ. However, there may be two performance obligations for tissue revenue of which one is met upon delivery of the tissue and a second is met upon certification from a medical professional, which on average occurs 30 days after delivery. Because a set transaction reimbursement is associated with each performance obligation, revenue is recognized when each distinct performance obligation is met.

As the Organization's standard payment terms are less than one year, the Organization has elected, as a practical expedient, to not assess whether a contract has a significant financing component. The Organization allocates the transaction reimbursement to each distinct organ or tissue based on the amount agreed upon in contracts with receiving parties or approved by the Board of Directors. The reimbursement as specified on the contract is considered the standalone reimbursement as it is an observable source that depicts the reimbursement as if the organ or tissue is provided to a similar receiving party in similar circumstances.

Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization has concluded that none of the costs it has incurred to obtain and fulfill its revenue contracts meet the capitalization criteria, and as such, there are no costs deferred and recognized as assets on the statements of financial position at December 31, 2022 or 2021.

Other receivable amounts include contributions made to the Organization and collected by the Department of Licensing and other receivables. There was no allowance for uncollectible amounts at December 31, 2022 or 2021. The Organization has established credit policies and, historically, the losses related to customer nonpayment have been very low as a percentage of revenues. Management regularly monitors its accounts receivable and establishes an allowance for those deemed uncollectible as needed.

Approximately 53% and 31% of the accounts receivable balance at December 31, 2022 and 2021, respectively, was due from three and two customers. Additionally, approximately 54% and 51% of procurement revenue was from three customers for the year ended December 31, 2022 and 2021, respectively.

LifeCenter Northwest

Notes to Financial Statements

Investments – Investments consist of certificates of deposits (CDs), fixed income securities, and equity securities. These investments are reported at fair value. All investments are classified as short-term. Unrealized and realized gains and losses are reflected in the statement of activities and changes in net assets. Securities are generally held in custodial investment accounts administered by certain financial institutions.

Certain investments held with financial institutions are insured up to a specific limit by Securities Investors Protection Corporation (SIPC). At December 31, 2022 and 2021, the Organization had amounts that were in excess of the FDIC and SIPC insurance limits.

Investments are exposed to various risks such as interest rates, market, and credit risk. Risk is managed through evaluation before an investment is made and regular communication with investment managers. It is at least reasonably possible, given the level of risk associated with investments, that changes in the near term could materially affect the amounts reported in the financial statements.

Medicare receivable, net – Medicare receivables, net are reported at the estimated net realizable value based on cost reports and past experience with the Medicare Administration and are classified as current or noncurrent based on management's best estimate of when funds will be received or paid. Medicare revenue is expected to be audited approximately one to three years after year end by a Medicare fiscal intermediary, which may result in adjustments to amounts previously recorded. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by Medicare.

Laws and regulations governing the Medicare program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could materially change. The Medicare receivable is a significant estimate.

Property and equipment – Furniture and equipment, and leasehold improvements are stated at cost. The Organization capitalizes all fixed assets with a total cost greater than \$5,000. Furniture and equipment are depreciated using the straight-line method over estimated useful lives of 3 to 20 years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life or the term of the lease.

Depreciation and amortization expense during 2022 and 2021, totaled \$254,448 and \$261,893, respectively.

The Organization evaluates property and equipment for impairment when events or changes indicate the carrying amount of an asset may not be recoverable. Accounting standards requires that if the sum of the undiscounted expected future cash flows from a long-lived asset or definite-lived intangible is less than the carrying value of that asset, an asset impairment charge must be recognized. The amount of the impairment charge is calculated as the excess of the asset's carrying value over its fair value, which generally represents the discounted future cash flows from that asset or in the case of assets the Organization expects to sell, at fair value less costs to sell. The Organization determined that there were no events or changes in circumstances that indicated property and equipment were impaired during any periods presented.

LifeCenter Northwest

Notes to Financial Statements

Leases – The Organization recognizes operating and finance lease liabilities and right-of-use (ROU) assets for all leases, including operating leases with an expected term greater than 12 months, on its statements of financial position. Operating lease ROU assets and liabilities are recognized on the statements of financial position at commencement date, which is the date that the Organization gains access to the property or underlying asset. The lease liability is determined based on the present value of the minimum rental payments using a risk-free rate in effect at the time of the lease commencement. The ROU asset is determined based on the lease liability adjusted for lease incentives received. Operating lease cost is recognized over a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and ROU asset if management determined it was not reasonably certain that the lease would be extended.

Deferred rent – Prior to adoption of the new lease standard, deferred rent consists of the liability for office rent due to the cumulative difference between the total lease payments through December 31, 2021, based on the terms of the lease agreement, and what the expense would be based on a straight-line basis over the life of the lease. See Note 7 for a schedule of future required lease payments.

Deferred tenant improvement allowance – Deferred tenant improvement allowance represents amounts paid by the landlord for tenant improvements in association with an operating lease for office space and a surgical recovery suite. The deferred tenant improvement allowance is amortized over the ten years and eight months' and three years' life of the leases, respectively. The leases effective dates are January 1, 2015, and September 1, 2020, respectively (see Note 7).

Procurement and import revenue – Procurement and import revenue consist of fees charged to medical facilities and other OPOs for costs incurred in the procurement of organs and tissues. The revenue is recognized after the procurement services have been completed and the organ or tissue has been accepted by the receiving facility.

Contributions – The Organization records contributions according to accounting principles generally accepted in the United States of America (U.S. GAAP) for contributions received and contributions made. Accordingly, contributions, including unconditional promises to give, are recorded in the period made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the promises are to be received.

Federal income taxes – The IRS has determined the Organization is exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. Accordingly, no provision for income taxes has been made in these financial statements. The Organization adopted accounting for uncertain tax positions. The accounting standard prescribes a recognition threshold and measurement process for uncertain tax positions. As of December 31, 2022 and 2021, the Organization had no uncertain tax positions requiring accrual.

LifeCenter Northwest

Notes to Financial Statements

Use of estimates – The preparation of financial statements in accordance with U.S. GAAP 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.

Accrued medical liabilities totaling \$2,766,251 and \$2,702,830 as of December 31, 2022 and 2021, respectively, have been recorded based on management's estimates of actual costs incurred for which invoices had not been received. While costs based on actual vendor invoices may differ from the estimates, management believes that any differences would not have a material impact on the Organization's financial position. Due to uncertainties in the estimation process, however, it is at least reasonably possible that management's estimate of accrued medical liabilities will change during the following year. That amount, if any, cannot be estimated.

New accounting pronouncements – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability in the statement of financial position for all leases, including operating leases, with terms of more than 12 months. The Organization adopted Topic 842 effective January 1, 2022, using the modified retrospective transition method. As a result, on January 1, 2022, the Organization recognized an operating lease liability of \$2,009,648, which represents the present value of the remaining lease payments of \$2,167,053, discounted using the Organization's risk free rate of 1.35% and an operating lease right-of-use asset of \$1,720,713. See Note 7.

Reclassifications – Certain amounts in the 2021 financial statements have been reclassified to be comparable with current year presentation. Such reclassifications have no effect on previously reported operating results.

Subsequent events – Subsequent events are events or transactions that occur after the date of the statement of financial position but before the financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through April 3, 2023, which is the date the financial statements are available to be issued.

LifeCenter Northwest
Notes to Financial Statements

Note 2 – Investments

Investments are comprised of the following at December 31:

	<u>2022</u>	<u>2021</u>
Certificates of deposit - short-term	\$ -	\$ 206,212
Equity securities	2,280,873	-
Fixed income securities	<u>14,903,493</u>	<u>2,266,919</u>
	<u>\$ 17,184,366</u>	<u>\$ 2,473,131</u>

A summary of the Organization's investments in fixed income securities at December 31, 2022, by contractual maturity, is as follows:

	<u>Estimated Fair Value</u>
Years to maturity	
One or less	\$ 7,988,160
After one through five	1,980,708
After five	<u>4,934,625</u>
	<u>\$ 14,903,493</u>

The contractual maturities in the foregoing table may differ from expected maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Investment return is comprised of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 218,360	\$ 127,996
Unrealized gain (loss) - fixed income securities	57,489	(122,575)
Unrealized gain - equity securities	116,066	-
Realized loss	<u>(234,014)</u>	<u>-</u>
	<u>\$ 157,901</u>	<u>\$ 5,421</u>

LifeCenter Northwest

Notes to Financial Statements

Note 3 – Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 – Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Equity securities – Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income securities – Valued using pricing models maximizing the use of observable inputs for similar securities, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Certificates of deposit – Valued at fair value based on quoted market prices for similar investments.

LifeCenter Northwest
Notes to Financial Statements

Fair values measured on a recurring basis – Fair values of assets and liabilities measured on a recurring basis at December 31 were as follows:

	Fair Value Measurements as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Equity securities	2,280,873	-	-	2,280,873
Fixed income securities	14,903,493	-	-	14,903,493
Investments at fair value	\$ 17,184,366	\$ -	\$ -	\$ 17,184,366
	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 206,212	\$ -	\$ 206,212
Fixed income securities	2,266,919	-	-	2,266,919
Investments at fair value	\$ 2,266,919	\$ 206,212	\$ -	\$ 2,473,131

Note 4 – Medicare Receivable and Payable

	2022	2021
Current receivable		
Due from Medicare - 2022 cost report	\$ 3,509,847	\$ -
Due from Medicare - 2021 cost report	-	3,740,290
Current liability		
Due to Medicare - 2021 cost report	681,717	-
Due to Medicare - 2020 cost report	221,357	-
Due to Medicare - 2019 cost report	53,376	-

The Organization recognized \$3,357,885 and \$3,755,566 due from Medicare within procurement revenue on the statement of activities and changes in net assets during 2022 and 2021, respectively.

As of December 31, 2022, Medicare cost reports have been closed by the Medicare fiscal intermediary for cost report periods through 2018.

LifeCenter Northwest

Notes to Financial Statements

Note 5 – Liquidity and Availability

In 2022, the Organization has approximately \$36,751,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of approximately \$7,828,000, receivables of approximately \$11,738,000, and short-term investments of approximately \$17,184,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The receivables are expected to be collected within one year.

In 2021, the Organization had approximately \$37,998,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of approximately \$23,964,000, receivables of approximately \$11,561,000, and short-term investments of approximately \$2,473,000. None of the financial assets were subject to donor or other contractual restrictions that made them unavailable for general expenditure within one year of the statement of financial position date.

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet at least 150 days of normal operating expenses, which are, on average, approximately \$150,000 per day.

The Organization has a policy to invest cash consistent with the preservation of capital and minimization of investment risk. As part of its liquidity management, the Organization invests cash in excess of daily requirements in equity and fixed income securities.

Note 6 – Qualified Employee Benefit Plan

The Organization sponsors a 403(b) qualified retirement benefit plan (the Plan). All employees may make elective deferrals under the Plan. After completing one year of service, employees are eligible for employer matching contributions in amounts determined by the Plan document that is approved by the Board of Directors. The Organization recognized expenses of \$860,755 and \$791,213 related to matching contributions to the Plan during the years ended December 31, 2022 and 2021, respectively.

The Organization also maintains a nonqualified deferred compensation plan covered under Section 457(b) of the Internal Revenue Code. Only employees specifically designated by the Governing Board are eligible. The maximum salary deferral under the 457(b) plan for the years ended December 31, 2022 and 2021, was \$19,500 for both years. There are no matching provisions. The nonqualified deferred compensation plan is administered by the Organization. As of December 31, 2022 and 2021, there was one participant in the 457(b) plan. Total assets in the plan were \$241,157 and \$256,343 as of December 31, 2022 and 2021, respectively, which has been included in other long-term assets with an offsetting amount in other liabilities on the statement of financial position. Assets in the plan are held by the Organization on a non-trust basis and are subject to the claims of its creditors.

LifeCenter Northwest Notes to Financial Statements

Note 7 – Commitments and Contingencies

At December 31, 2022, the Organization had a number of noncancelable operating leases for office spaces and a surgical recovery suite, which expire through 2027. Rental expenses for these leases totaled \$526,104 and \$840,316 for the years ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2021, leases were accounted for under ASC Topic 840.

Future minimum lease payments under these leases are as follows:

2023	\$ 599,781
2024	557,573
2025	389,818
2026	23,052
2027	<u>15,672</u>
	1,585,896
Less amounts representing imputed interest	<u>(28,628)</u>
	<u>\$ 1,557,268</u>

The weighted average remaining lease term for operating leases is 2.73 years as of December 31, 2022. The weighted average discount rate for operating leases is 1.35% as of December 31, 2022.

The Organization has elected to be self-insured for unemployment compensation. The costs of claims under this program are expensed as claims arise. Management has not accrued a provision for incurred-but-not-reported claims as it has been deemed to not be material.

In the normal course of business, the Organization is sometimes involved in litigation, including matters that may have existed at December 31, 2022. At December 31, 2022, management is not aware of any such matters. The Organization maintains professional liability insurance coverage through a “claims made” policy. Should the “claims made” policy not be renewed or replaced with equivalent insurance, claims related to occurrences during their terms, but reported subsequent to their termination, may be uninsured.

LifeCenter Northwest Notes to Financial Statements

Note 8 – Functional Expenses

The Organization provides procurement services, program support, and public education within its designated service area. Expenses related to providing these services by functional class for the years ended December 31, 2022 and 2021, are as follows:

	Procurement Services	Program Support	Public Education	Management and General	Total
2022					
Salaries and benefits	\$ 14,896,876	\$ 2,746,257	\$ 1,073,732	\$ 5,487,158	\$ 24,204,023
Donor services and supplies	26,170,216	5,804	2,015	4,406	26,182,441
Administrative	1,052,026	239,116	224,277	395,548	1,910,967
Occupancy	639,504	161,642	46,197	35,711	883,054
Travel and mileage	524,431	55,772	28,738	25,563	634,504
Professional fees	7,689	23,920	27,042	530,168	588,819
Staff development	95,311	41,262	21,722	109,811	268,106
Depreciation and amortization	151,984	34,638	13,311	54,515	254,448
	<u>\$ 43,538,037</u>	<u>\$ 3,308,411</u>	<u>\$ 1,437,034</u>	<u>\$ 6,642,880</u>	<u>\$ 54,926,362</u>
2021					
Salaries and benefits	\$ 12,877,411	\$ 2,394,821	\$ 956,823	\$ 5,267,438	\$ 21,496,493
Donor services and supplies	25,196,035	1,298	11,025	6,249	25,214,607
Administrative	909,964	193,184	176,638	269,813	1,549,599
Occupancy	498,044	144,583	34,421	192,758	869,806
Travel and mileage	351,634	17,960	660	24,163	394,417
Professional fees	20,875	41,500	81,135	692,551	836,061
Staff development	29,157	5,785	8,150	74,210	117,302
Depreciation and amortization	156,468	33,399	13,814	58,212	261,893
	<u>\$ 40,039,588</u>	<u>\$ 2,832,530</u>	<u>\$ 1,282,666</u>	<u>\$ 6,585,394</u>	<u>\$ 50,740,178</u>

Procurement services represents the coordination of the entire organ and tissue recovery process, including working with potential donor families and donor hospitals, evaluating donors, transportation of Organization staff and organs, assisting with the placement of organs, arranging for transportation of recovered tissue to nationally recognized tissue banks, and coordinating hospital facilities during organ recovery and placement.

Program support represents costs incurred to provide ongoing education to the Organization's partner hospitals to ensure that they recognize and refer potential donors.

Public education represents costs incurred to expand public awareness of organ and tissue donation.

Management and general encompass the expenditures associated with the leadership and articulation of the Organization's program strategy, as well as the functions necessary to support operations including accounting, finance, human resources, quality, and information technology.

Most expenses are recorded directly within each functional category. Some miscellaneous expenses are allocated across functional areas based on full-time-equivalent counts.

