



Report of Independent Auditors
and Financial Statements

LifeCenter Northwest

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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
March 27, 2024

Financial Statements

LifeCenter Northwest
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,961,937	\$ 7,828,334
Accounts receivable	13,276,262	9,056,478
Medicare receivable, net	299,630	2,553,397
Other receivables	221,614	127,993
Short-term investments	23,189,448	17,184,366
Prepaid expenses and other current assets	1,316,440	961,115
Total current assets	48,265,331	37,711,683
PROPERTY AND EQUIPMENT		
Furniture and equipment	1,150,403	1,173,586
Leasehold improvements	1,428,933	1,428,933
	2,579,336	2,602,519
Accumulated depreciation and amortization	(2,148,532)	(1,955,971)
Total property and equipment, net	430,804	646,548
Other long-term assets	397,727	339,265
Operating lease right-of-use assets	922,746	1,325,517
Total assets	\$ 50,016,608	\$ 40,023,013
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 4,501,216	\$ 2,435,791
Accrued salaries and related benefits	4,380,380	3,051,271
Accrued medical liabilities	2,645,789	2,766,251
Lease liabilities, current portion, net	605,442	582,975
Operating lease deferred tenant improvement allowance, current portion	86,404	87,955
Total current liabilities	12,219,231	8,924,243
Deferred tenant improvement allowance, net of current portion	57,603	144,007
Operating lease liabilities, net of current portion, net	477,067	974,293
Other liabilities	297,711	241,157
Total liabilities	13,051,612	10,283,700
NET ASSETS		
Without donor restrictions	36,964,996	29,739,313
Total liabilities and net assets	\$ 50,016,608	\$ 40,023,013

See accompanying notes.

LifeCenter Northwest
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE AND SUPPORT		
Procurement revenue	\$ 71,553,084	\$ 50,128,196
Import revenue	6,179,300	4,883,700
Contributions	607,506	620,837
Investment income, net	1,414,154	157,901
Research and other revenue	69,426	45,024
	79,823,470	55,835,658
EXPENSES		
Procurement services and program support	62,637,289	46,846,448
Public education	1,623,343	1,437,034
	64,260,632	48,283,482
Management and general	8,337,155	6,642,880
	72,597,787	54,926,362
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	7,225,683	909,296
NET ASSETS, beginning of year	29,739,313	28,830,017
NET ASSETS, end of year	\$ 36,964,996	\$ 29,739,313

See accompanying notes.

LifeCenter Northwest
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,225,683	\$ 909,296
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	223,371	254,448
Investment income, net	(1,414,154)	(157,901)
Loss on disposal of property and equipment	-	15,099
Changes in operating assets and liabilities		
Accounts receivable and other receivables	(4,313,405)	(1,364,074)
Medicare receivable, net	2,253,767	1,186,893
Prepaid expenses and other assets	(413,787)	(250,920)
Accounts payable, accrued salaries and benefits, and accrued medical liabilities	3,330,626	(1,923,489)
Tenant improvement allowance	(87,955)	(88,732)
Noncash lease expense	(71,988)	(57,184)
Net cash from operating activities	6,732,158	(1,476,564)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,627)	(78,798)
Purchase of investments	(14,985,196)	(27,089,067)
Proceeds from sales of investments	10,394,268	12,535,733
Net cash from investing activities	(4,598,555)	(14,632,132)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on finance lease	-	(27,453)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,133,603	(16,136,149)
CASH AND CASH EQUIVALENTS, beginning of year	7,828,334	23,964,483
CASH AND CASH EQUIVALENTS, end of year	\$ 9,961,937	\$ 7,828,334

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, 2023 and 2022, 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. Management determines an allowance for credit losses based on historical experience and management's evaluation of current and reasonably supportable expected future economic conditions and the customer's willingness or ability to pay. 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, one of which 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, 2023 or 2022.

Other receivable amounts include contributions made to the Organization. There was no allowance for credit losses at December 31, 2023 or 2022. 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 29% and 53% of the accounts receivable balance at December 31, 2023 and 2022, respectively, was due from one and three customers, respectively. As of December 31, 2021, accounts receivable was \$7,763,305 and other receivables was \$57,092. Additionally, approximately 48% and 54% of procurement revenue was from three customers for the years ended December 31, 2023 and 2022, respectively.

LifeCenter Northwest

Notes to Financial Statements

Investments – Investments consist of 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, 2023 and 2022, 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. As of December 31, 2021, Medicare receivable was \$3,740,290.

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 2023 and 2022, totaled \$223,371 and \$254,448, 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.

The Organization has elected the package of three practical expedients, which permits the Organization not to reassess prior conclusions about lease identification, lease classification, and initial direct costs. In addition, the Organization has elected a short-term lease exemption policy that permits the Organization to not apply the recognition requirements of the new lease standard to leases with a term of 12 months or less. The Organization has also elected an accounting policy to not separate lease and non-lease components for certain classes of leases.

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 Internal Revenue Service 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, 2023 and 2022, 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 \$2,645,789 and \$2,766,251 as of December 31, 2023 and 2022, 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 June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under Topic 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Accounts receivable are the financial assets held by the Organization that are subject to the guidance in FASB ASC 326. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

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 March 27, 2024, 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>2023</u>	<u>2022</u>
Equity securities	\$ 2,943,162	\$ 2,280,873
Fixed income securities	<u>20,246,286</u>	<u>14,903,493</u>
	<u>\$ 23,189,448</u>	<u>\$ 17,184,366</u>

A summary of the Organization's investments in fixed income securities at December 31, 2023, by contractual maturity, is as follows:

	<u>Estimated Fair Value</u>
Years to maturity	
One or less	\$ 6,352,849
After one through five	1,254,078
After five	<u>12,639,359</u>
	<u>\$ 20,246,286</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>2023</u>	<u>2022</u>
Interest and dividends	\$ 887,778	\$ 218,360
Unrealized gain - fixed income securities	22,609	57,489
Unrealized gain - equity securities	359,746	116,066
Realized gain (loss)	<u>144,021</u>	<u>(234,014)</u>
	<u>\$ 1,414,154</u>	<u>\$ 157,901</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, 2023 and 2022.

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.

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, 2023			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 2,943,162	\$ -	\$ -	\$ 2,943,162
Fixed income securities	20,246,286	-	-	20,246,286
Investments at fair value	<u>\$ 23,189,448</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,189,448</u>

	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	<u>\$ 17,184,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,184,366</u>

Note 4 – Medicare Receivable and Payable

	2023	2022
Current receivable		
Due from Medicare - 2022 cost report	\$ 868,149	\$ 3,509,847
Current liability		
Due to Medicare - 2023 cost report	485,313	-
Due to Medicare - 2021 cost report	46,627	681,717
Due to Medicare - 2020 cost report	36,579	221,357
Due to Medicare - 2019 cost report	-	53,376

The Organization recognized \$1,346,450 and \$3,357,885 due from Medicare within procurement revenue on the statement of activities and changes in net assets during 2023 and 2022, respectively.

As of December 31, 2023, 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 2023, the Organization has approximately \$46,949,000 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 \$9,962,000, receivables of approximately \$13,798,000, and short-term investments of approximately \$23,189,000. 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 2022, the Organization had 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 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 \$200,000 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 \$1,046,045 and \$860,755 related to matching contributions to the Plan during the years ended December 31, 2023 and 2022, 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 Board of Directors are eligible. The maximum salary deferral under the 457(b) plan for the years ended December 31, 2023 and 2022, was \$22,500 and \$20,500, respectively. There are no matching provisions. The nonqualified deferred compensation plan is administered by the Organization. As of December 31, 2023 and 2022, there was one participant in the 457(b) plan. Total assets in the plan were \$297,711 and \$241,157 as of December 31, 2023 and 2022, 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 – Leases

At December 31, 2023, 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 \$552,804 and \$526,104 for the years ended December 31, 2023 and 2022, respectively. Operating cash flows from operating leases was \$623,527 and \$581,157 for the years ended December 31, 2023 and 2022, respectively. Right of use assets obtained in exchange for new lease liabilities was \$129,725 and \$105,426 for the years ended December 31, 2023 and 2022, respectively.

Future minimum lease payments under these leases are as follows:

	2023	2022
2023		\$ 599,781
2024	\$ 618,176	557,573
2025	436,441	389,818
2026	28,420	23,052
2027	15,672	15,672
	1,098,709	1,585,896
Less amounts representing imputed interest	(16,200)	(28,628)
	\$ 1,082,509	\$ 1,557,268

The weighted average remaining lease term for operating leases is 1.84 and 2.73 years as of December 31, 2023 and 2022, respectively. The weighted average discount rate for operating leases is 1.69% and 1.35% as of December 31, 2023 and 2022, respectively.

Note 8 – Commitments and Contingencies

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, 2023. At December 31, 2023, 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 9 – 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, 2023 and 2022, are as follows:

	Procurement Services	Program Support	Public Education	Management and General	Total
2023					
Salaries and benefits	\$ 20,666,076	\$ 3,154,226	\$ 1,201,690	\$ 6,631,079	\$ 31,653,071
Donor services and supplies	35,368,026	15,299	13,084	2,639	35,399,048
Administrative	1,381,984	246,151	249,169	563,989	2,441,293
Occupancy	615,516	131,573	35,127	158,646	940,862
Travel and mileage	603,959	66,854	40,477	39,004	750,294
Professional fees	26,670	500	23,070	806,672	856,912
Staff development	158,351	34,118	50,686	89,781	332,936
Depreciation and amortization	142,305	25,681	10,040	45,345	223,371
	<u>\$ 58,962,887</u>	<u>\$ 3,674,402</u>	<u>\$ 1,623,343</u>	<u>\$ 8,337,155</u>	<u>\$ 72,597,787</u>
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>

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.

