

**NORTHWEST HEALTH  
FOUNDATION  
and  
NORTHWEST HEALTH  
FOUNDATION FUND II**

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**Combined  
Audited Financial  
Statements**

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**For the Years Ended  
December 31, 2014 and 2013**



**MCDONALD JACOBS**



## INDEPENDENT AUDITOR'S REPORT

Mark A. Clift, CPA  
Shareholder

To the Board of Directors of  
Northwest Health Foundation and  
Northwest Health Foundation Fund II

Karin S. Wandtke, CPA  
Shareholder

Sang Ahn, CPA  
Shareholder

Gerard DeBlois Jr., CPA  
Shareholder

Mary Strasdin, CPA  
Shareholder

Jill Oswald  
Shareholder

Anthony Almer, CPA  
Principal

Tyee Carr, CPA  
Principal

Jake Jacobs, CPA  
of counsel

Susan J. Marks, CPA  
of counsel

Dennis C. Johnson, CPA  
of counsel

### Report on the Combined Financial Statements

We have audited the accompanying combined financial statements Northwest Health Foundation (the Foundation) and Northwest Health Foundation Fund II (Fund II), which comprise the combined statements of financial position as of December 31, 2014 and 2013, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

### Management's Responsibility for the Combined Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

*Opinion*

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Northwest Health Foundation and Northwest Health Foundation Fund II as of December 31, 2014 and 2013, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*McDonald Jacobz, P.C.*

Portland, Oregon  
June 3, 2015

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,102,912	\$ 4,999,051
Investments (Note 2)	63,899,117	63,072,667
Grants receivable and other assets (Note 4)	820,607	168,081
Net property and equipment (Note 5)	118,325	51,478
 TOTAL ASSETS	 \$ 67,940,961	 \$ 68,291,277
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 370,102	\$ 356,082
Line of credit (Note 6)	1,800,000	1,500,000
Grants payable (Note 7)	5,467,119	4,484,355
Deferred revenue	115,372	387,628
 Total liabilities	 7,752,593	 6,728,065
Net assets:		
Unrestricted	51,471,986	51,361,304
Temporarily restricted (Note 8)	8,716,382	10,201,908
 Total net assets	 60,188,368	 61,563,212
 TOTAL LIABILITIES AND NET ASSETS	 \$ 67,940,961	 \$ 68,291,277

See notes to combined financial statements.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**COMBINED STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue:</b>						
<b>Investment income:</b>						
Interest and dividend income	\$ 286,087	\$ 140,870	\$ 426,957	\$ 303,644	\$ 147,214	\$ 450,858
Net realized and unrealized gains	2,533,488	450,899	2,984,387	6,276,528	1,435,541	7,712,069
Management fees	(19,908)	(7,347)	(27,255)	(16,269)	(6,391)	(22,660)
Net income from real estate LLC (Note 3)	<u>69,408</u>	<u>-</u>	<u>69,408</u>	<u>46,039</u>	<u>-</u>	<u>46,039</u>
Investment income, net of fees	2,869,075	584,422	3,453,497	6,609,942	1,576,364	8,186,306
 Investment expenses:						
Investment administrative expenses	<u>221,657</u>	<u>-</u>	<u>221,657</u>	<u>202,269</u>	<u>48,748</u>	<u>251,017</u>
 Net investment income	<u>2,647,418</u>	<u>584,422</u>	<u>3,231,840</u>	<u>6,407,673</u>	<u>1,527,616</u>	<u>7,935,289</u>
 <b>Support and other revenue:</b>						
Contributions and grants	-	2,038,963	2,038,963	-	1,562,637	1,562,637
Administrative fees and other revenue	355,183	-	355,183	480,194	-	480,194
Contributions and fees for sponsored funds	-	-	-	-	-	-
Net assets released from restrictions:						
Satisfaction of purpose restrictions	<u>4,108,911</u>	<u>(4,108,911)</u>	<u>-</u>	<u>4,074,224</u>	<u>(4,074,224)</u>	<u>-</u>
Total support and other revenue	<u>4,464,094</u>	<u>(2,069,948)</u>	<u>2,394,146</u>	<u>4,554,418</u>	<u>(2,511,587)</u>	<u>2,042,831</u>
 Total revenue	<u>7,111,512</u>	<u>(1,485,526)</u>	<u>5,625,986</u>	<u>10,962,091</u>	<u>(983,971)</u>	<u>9,978,120</u>

*(Continued)*

See notes to combined financial statements.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**COMBINED STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2014 and 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Expenses:</b>						
Program expenses:						
Community based initiatives	630,000	-	630,000	-	-	-
Regional improvements	535,939	-	535,939	-	-	-
Technical assistance/Sponsorship	101,860	-	101,860	100,250	-	100,250
Other grants	541,755	-	541,755	541,883	-	541,883
Kaiser Permanente Community Fund	2,574,231	-	2,574,231	2,514,056	-	2,514,056
Partners Investing in Nursing	663,477	-	663,477	792,597	-	792,597
Health care reform	-	-	-	307,305	-	307,305
CareOregon Releasing Time 2 Care	-	-	-	109,689	-	109,689
Fluoride Campaign	-	-	-	565,846	-	565,846
Service fees	355,183	-	355,183	480,194	-	480,194
Program administrative expenses	886,540	-	886,540	984,183	-	984,183
Total program expenses	<u>6,288,985</u>	<u>-</u>	<u>6,288,985</u>	<u>6,396,003</u>	<u>-</u>	<u>6,396,003</u>
Interest expense	21,575	-	21,575	38,402	-	38,402
General and administrative expenses	<u>690,270</u>	<u>-</u>	<u>690,270</u>	<u>673,307</u>	<u>-</u>	<u>673,307</u>
Total expenses	<u>7,000,830</u>	<u>-</u>	<u>7,000,830</u>	<u>7,107,712</u>	<u>-</u>	<u>7,107,712</u>
Change in net assets	110,682	(1,485,526)	(1,374,844)	3,854,379	(983,971)	2,870,408
Net assets - beginning of year	<u>51,361,304</u>	<u>10,201,908</u>	<u>61,563,212</u>	<u>47,506,925</u>	<u>11,185,879</u>	<u>58,692,804</u>
Net assets - end of year	<u>\$ 51,471,986</u>	<u>\$ 8,716,382</u>	<u>\$ 60,188,368</u>	<u>\$ 51,361,304</u>	<u>\$ 10,201,908</u>	<u>\$ 61,563,212</u>

(Concluded)

See notes to combined financial statements.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**COMBINED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2014 and 2013**

	2014	2013
<b>Cash flows from investing activities:</b>		
Net investment income	\$ 3,231,840	\$ 7,935,289
Adjustments to reconcile change in net investment income to net cash provided by investing activities:		
Additions to property and equipment	(102,741)	(910)
Realized and unrealized gains on investments	(2,984,387)	(7,712,069)
Investments:		
Net change in short-term investments	1,276,811	(706,946)
Purchase of investments	(9,638,634)	(4,622,327)
Proceeds from the sale of investments	10,389,167	15,005,197
Investment in building	130,593	228,879
Net cash provided by investing activities	2,302,649	10,127,113
<b>Cash flows from program activities (Note 15):</b>		
Contributions and other receipts	1,469,364	1,981,999
Grant payments and program funding	(4,419,681)	(6,771,771)
Payments to employees and vendors	(1,548,471)	(1,673,031)
Net cash used in program activities	(4,498,788)	(6,462,803)
<b>Cash flows from financing activities:</b>		
Proceeds from line of credit	300,000	-
Payment on line of credit	-	(1,500,000)
Net cash provided by (used in) financing activities	300,000	(1,500,000)
Net increase (decrease) in cash	(1,896,139)	2,164,310
Cash and cash equivalents - beginning of year	4,999,051	2,834,741
Cash and cash equivalents - end of year	\$ 3,102,912	\$ 4,999,051

See notes to combined financial statements.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations

Northwest Health Foundation (the Foundation) was formed in October of 1997 with net proceeds approximating \$58,000,000 from the sale of the PACC Companies to Foundation Health Systems, Inc. and its subsidiary, QualMed Oregon Health Plan, Inc. The Foundation's mission is to advance, support and promote the health of the people of Oregon and Southwest Washington. The Foundation's programs include grant making, community outreach activities and policy advocacy.

Northwest Health Foundation Fund II (Fund II) began operations in 2003 and has established several donor-advised funds and received contributions in excess of \$30 million. Fund II exists to manage contributions and grants received to fund the mission of the Foundation through public support.

Principles of Combination and Basis of Presentation

The combined financial statements include the accounts of the Foundation and Fund II. All intercompany transactions and balances have been eliminated. The Foundation is the sole member of Philanthropy Center LLC (LLC) which owns an office building in Portland, Oregon. The equity of the LLC has been included in the Foundation's investments.

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and Fund II and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Foundation and Fund II and/or the passage of time.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Foundation and Fund II consider all unrestricted highly liquid investments with an initial maturity of three months or less at the date of purchase to be cash equivalents.



NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments

- *Marketable Securities:* Investments in marketable securities are stated at current market value.
- *Alternative investments:* Investments in limited partnership interests and other equity securities have been estimated by management (in the absence of readily determinable fair values) based on information provided by fund managers or the general partners.
- *Real Estate:* The Foundation is the sole member of a limited liability company (LLC) that owns an office building in Portland, Oregon. The building was acquired by the LLC on February 29, 2008 (see Note 3). Investments in the building and improvements are stated at depreciated cost by the LLC.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Capitalized property and equipment are stated at cost or, if donated, at fair market value at the time of receipt. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

Grants and Grants Payable

Grants payable represents unconditional grants that have been approved prior to year end, but remain unpaid as of year-end. Grant expense is recorded net of approved grants that have been cancelled or refunded during the year.

Contributions

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Foundation or Fund II is notified of the commitment. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional grants are not recorded until all conditions for receiving the grant have been met.

Contract Fees and Deferred Revenue

Contract fees are recognized as revenue in the period earned as the related services are rendered. Deferred revenue represents monies collected in advance for contract service fees.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES, Continued**

Income and Excise Taxes

The Foundation is an Oregon nonprofit corporation, and is a public welfare organization exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code and applicable state law.

Fund II is an Oregon nonprofit corporation, and is a charitable organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Some income received from investments in pass-through entities, resulting from activities considered not substantially related to the Foundation or Fund II's tax-exempt purpose, may be subject to reporting as unrelated business income. Taxes resulting from unrelated business income were insignificant to the financial statements for 2014 and 2013.

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

The Foundation and Fund II's information and income tax returns for years ended December 31, 2010 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Foundation and Fund II have evaluated all subsequent events through June 3, 2015, the date the combined financial statements were available to be issued.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**2. INVESTMENTS**

All funds not required for operations are placed with investment managers. The investment portfolios include the following financial instruments all of which are carried at fair value, except the investment in real estate which is carried at the equity basis:

	<u>2014</u>	<u>2013</u>
Cash equivalents	\$ 364,426	\$ 89,511
Marketable securities:		
Fixed income securities	8,981,198	9,073,920
Domestic equities	12,412,904	12,239,649
International equities	<u>8,505,425</u>	<u>8,827,080</u>
Total marketable securities	<u>29,899,527</u>	<u>30,140,649</u>
Alternative investment interests:		
Hedge funds	13,584,834	13,360,901
Private equities	12,122,613	11,856,657
Real estate funds	<u>2,808,397</u>	<u>2,375,036</u>
Total alternative investment interests	<u>28,515,844</u>	<u>27,592,594</u>
Real estate (Note 3)	<u>5,119,320</u>	<u>5,249,913</u>
Total investments	<u>\$ 63,899,117</u>	<u>\$ 63,072,667</u>

Cost basis of investments totaled \$52,341,845 for 2014 and \$51,900,729 for 2013.

Commitments for alternative investment interests not yet funded approximate \$7,021,000 at December 31, 2014.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**3. INVESTMENT IN REAL ESTATE LLC**

The Foundation is the sole member in an LLC that owns a building, which is held for investment purposes and leased to various organizations. All net activity of the LLC is reported by the Foundation in the combined financial statements at the equity basis. Additionally, The Foundation and Fund II have offices located in the building.

The following is information regarding the financial position and activities of the LLC:

	<u>2014</u>	<u>2013</u>
Assets:		
Cash	\$ 101,859	\$ 96,725
Accounts receivable	2,528	1,551
Prepaid expenses	40,126	40,214
Land, building and improvements, net of accumulated depreciation of \$1,708,618 and \$1,458,511 for 2014 and 2013, respectively	<u>4,983,821</u>	<u>5,134,044</u>
Total assets	5,128,334	5,272,534
Liabilities:		
Accounts payable and other liabilities	<u>9,014</u>	<u>22,621</u>
Net equity	<u>\$ 5,119,320</u>	<u>\$ 5,249,913</u>
Income:		
Rent, including combined rent from the Foundation and Fund II of \$257,514 and \$248,930 for 2014 and 2013, respectively	\$ 670,824	\$ 651,787
Interest income	<u>462</u>	<u>984</u>
Total income	671,286	652,771
Operating expenses	<u>601,878</u>	<u>606,732</u>
Net income	<u>\$ 69,408</u>	<u>\$ 46,039</u>
Member distributions during the year	<u>\$ (200,000)</u>	<u>\$ (275,000)</u>

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**4. GRANTS RECEIVABLE AND OTHER ASSETS**

Grants receivable and other assets consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Kaiser Permanente NW	\$ 770,267	\$ 73,849
Other grants receivable	-	67,393
Accounts receivable and other assets	<u>50,340</u>	<u>26,839</u>
Total grants receivable and other assets	<u>\$ 820,607</u>	<u>\$ 168,081</u>

Grants and accounts receivable are unsecured and are expected to be received within one year.

**5. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Office furniture and equipment	\$ 651,111	\$ 548,369
Less: accumulated depreciation	<u>532,786</u>	<u>496,891</u>
Net property and equipment	<u>\$ 118,325</u>	<u>\$ 51,478</u>

Depreciation expense was \$35,894 and \$52,218 for the years ended December 31, 2014 and 2013, respectively.

**6. LINE OF CREDIT**

The Foundation has a \$5,000,000 revolving line of credit with Bank of America. Interest on the line is payable monthly at the floating LIBOR daily rate plus 1.25% (1.34% at December 31, 2014 and 1.38% at December 31, 2013). The line matures in September 2015, is secured by investments and is subject to certain non-financial covenants. Outstanding advances on the line of credit totaled \$1,800,000 and \$1,500,000 at December 31, 2014 and 2013, respectively.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**7. GRANTS PAYABLE**

Grants payable represent unconditional promises to give as follows at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Payable within one year	\$ 3,550,323	\$ 2,946,667
Payable within two to five years	<u>1,916,796</u>	<u>1,537,688</u>
Total grants payable	<u>\$ 5,467,119</u>	<u>\$ 4,484,355</u>

Management has estimated that the present value adjustment for grants payable in more than one year is not material to the combined financial statements.

**8. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets at December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Kaiser Permanente Community Fund	\$ 4,123,138	\$ 6,438,107
Kaiser Permanente Center for Health Research Endowed Scientist Fund	1,370,098	1,357,517
Jennifer Baker Fund	35,411	31,577
Economic Opportunities Fund	250,004	-
Health and Education Fund	500,000	-
Oregon Active Schools	250,000	-
CareOregon Hospital Transformation	2,082,201	1,971,356
Partners Investing in Nursing	26,015	159,660
Other	<u>79,515</u>	<u>243,691</u>
Total temporarily restricted net assets	<u>\$ 8,716,382</u>	<u>\$ 10,201,908</u>

The Kaiser Permanente Community Fund is restricted to advancing the health of residents of the donor's service areas within Oregon and Southwest Washington.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**9. RETIREMENT PLAN**

The Foundation has a defined contribution 401(k) profit sharing plan which covers employees who meet certain eligibility requirements. Employees make voluntary contributions to the plan. Annually, the board of directors approves a contribution to the plan. The contribution rate approved by the board was 10% for 2014 and 2013. The contributions to the profit sharing plan totaled \$114,123 and \$100,801 for the years ended December 31, 2014 and 2013, respectively.

**10. LEASE COMMITMENTS**

The Foundation leases office equipment under an operating lease through November 2017. Lease expense for each of the years ended December 31, 2014 and 2013 approximated \$9,500 and \$7,700, respectively. Future rents total approximately \$10,000 per year under the through 2017.

The Foundation and Fund II lease office space under a lease agreement through February 2018 from a wholly-owned single member LLC that owns the building where the Foundation and Fund II are located with monthly rent of \$17,082 (see Note 3).

The LLC leases office space in the building to other organizations. Lease terms generally range from one to five years. Minimum future rentals under noncancelable leases are as follows:

	<u>Lease Income</u>
Years ending December 31, 2015	\$ 390,200
2016	318,800
2017	218,500
2018	106,200
2019	17,500

**11. DEFERRED COMPENSATION PLAN**

The Foundation previously had a deferred compensation plan for selected employees. The plan was unfunded. Pursuant to the plan, fully vested balances were required to be distributed to the participants. The Foundation had recorded a liability equal to the amounts due for all participants of \$85,097 as of December 31, 2013. No contributions were made to the plan for the years ended December 31, 2014 or December 31, 2013. The entire balance of the plan was paid out as distributions to the participating employee during the year ending December 31, 2014.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**12. ALLOCATED EXPENSES**

Costs of providing program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting services based on estimates of employee time incurred and the usage of resources. Fundraising expenses are included in general and administrative expenses. The nature of the activities in obtaining contributions received by Fund II is driven by the donors who have sought out Fund II as an organization that makes grants. Fundraising costs totaled approximately \$93,500 and \$60,600 for the years ended December 31, 2014 and 2013, respectively.

**13. RELATED PARTY TRANSACTIONS**

The Foundation invested in a fund that is managed by an investment company where a board member is the Chief Executive Officer. At December 31, 2014, this investment approximated \$128,000.

During 2014, there were two members of the Board of Directors who were key employees of organizations receiving grants from the Foundation and Fund II. Grants to these organizations totaled \$198,000 during the year ended December 31, 2014.

**14. CONCENTRATION AND CREDIT RISKS**

The Foundation and Fund II maintain cash balances in financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. To limit credit risk, the Foundation and Fund II place cash equivalents with high credit quality financial institutions. The balances may, at times, exceed insured limits.

Investment securities are exposed to various risks such as interest rate, market, foreign currency, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Foundation's contribution revenues for 2014 are concentrated with approximately 79% coming from two sources and 53% from one source in 2013.



**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**15. STATEMENTS OF CASH FLOWS RECONCILIATION**

The following presents a reconciliation of the change in net assets (as reported on the combined statements of activities) to net cash used in program activities (as reported on the combined statements of cash flows):

	2014	2013
Change in net assets	\$ (1,374,844)	\$ 2,870,408
Adjustments to reconcile the change in net assets to net cash used in program activities:		
Net investment activity	(3,231,840)	(7,935,289)
Depreciation	35,894	52,218
Decrease (increase) in:		
Other assets	(652,526)	11,364
Increase (decrease) in:		
Accounts payable and other liabilities	14,020	(29,357)
Deferred revenue	(272,256)	(72,196)
Grants payable	982,764	(1,359,951)
Net cash used in program activities	\$ (4,498,788)	\$ (6,462,803)

Cash paid for interest totaled \$21,575 and \$38,402 for the years ended December 31, 2014 and 2013, respectively.

**16. FAIR VALUE MEASUREMENTS**

Assets and liabilities recorded at fair value in the combined statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**16. FAIR VALUE MEASUREMENTS, Continued**

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at December 31, 2014 and 2013 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2014</u>				
Investments - Marketable securities:				
Fixed income securities	\$ 8,981,198	\$ 8,981,198	\$ -	\$ -
Domestic equities	12,412,904	12,412,904	-	-
International equities	8,505,425	8,505,425	-	-
Investments - Alternative :				
Hedge funds	13,584,834	-	-	13,584,834
Private equities	12,122,613	-	-	12,122,613
Real estate funds	2,808,397	-	-	2,808,397
	<u>\$ 58,415,371</u>	<u>\$ 29,899,527</u>	<u>\$ -</u>	<u>\$ 28,515,844</u>
<u>December 31, 2013</u>				
Investments - Marketable securities:				
Fixed income securities	\$ 9,073,920	\$ 9,073,920	\$ -	\$ -
Domestic equities	12,239,649	12,239,649	-	-
International equities	8,827,080	8,827,080	-	-
Investments - Alternative:				
Hedge funds	13,360,901	-	-	13,360,901
Private equities	11,856,657	-	-	11,856,657
Real estate funds	2,375,036	-	-	2,375,036
	<u>\$ 57,733,243</u>	<u>\$ 30,140,649</u>	<u>\$ -</u>	<u>\$ 27,592,594</u>

Fair values of investments in marketable securities are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values of investments in alternative investments are estimated by management (in the absence of readily determinable fair values) based on information provided by fund managers or the general partners using a market approach. There were no changes in the valuation techniques during the years ended December 31, 2014 and 2013.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**NOTES TO COMBINED FINANCIAL STATEMENTS, Continued  
December 31, 2014 and 2013**

**16. FAIR VALUE MEASUREMENTS, continued**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Alternative investments which include investments in limited partnership interests and other equity securities:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 27,592,594	\$ 27,307,710
Net capital contributions and distributions	(739,521)	(3,166,356)
Realized gains	904,516	1,395,186
Unrealized gains	<u>758,255</u>	<u>2,056,054</u>
Balance at end of year	<u>\$ 28,515,844</u>	<u>\$ 27,592,594</u>

Changes in value of investments in limited partnerships are reported in the combined statements of activities as follows:

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 1,523,738	\$ 3,135,704
Temporarily restricted	<u>139,033</u>	<u>315,536</u>
Change in value of investments in limited partnerships	<u>\$ 1,662,771</u>	<u>\$ 3,451,240</u>

**SUPPLEMENTARY INFORMATION**



INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

Mark A. Clift, CPA  
Shareholder

Karin S. Wandtke, CPA  
Shareholder

Sang Ahn, CPA  
Shareholder

Gerard DeBlois Jr., CPA  
Shareholder

Mary Strasdin, CPA  
Shareholder

Jill Oswald  
Shareholder

Anthony Almer, CPA  
Principal

Tyee Carr, CPA  
Principal

Jake Jacobs, CPA  
of counsel

Susan J. Marks, CPA  
of counsel

Dennis C. Johnson, CPA  
of counsel

To the Board of Directors of  
Northwest Health Foundation and  
Northwest Health Foundation Fund II

We have audited the combined financial statements of Northwest Health Foundation and Northwest Health Foundation Fund II as of and for the years ended December 31, 2014 and 2013, and our report thereon dated June 3, 2015, which contained an unmodified opinion on those combined financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the combined financial statements as a whole. The combining information in Schedules I through IV is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*McDonald Jacobs, P.C.*

Portland, Oregon  
June 3, 2015

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**SUPPLEMENTARY INFORMATION - SCHEDULE I  
COMBINING STATEMENT OF FINANCIAL POSITION**

**December 31, 2014**

	<u>Northwest Health Foundation</u>	<u>Northwest Health Foundation Fund II</u>	<u>Eliminating Entries</u>	<u>Combined Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 883,737	\$ 2,219,175	\$ -	\$ 3,102,912
Investments	47,714,435	16,184,682	-	63,899,117
Grants receivable and other assets	31,147	789,460	-	820,607
Intercompany receivable	4,164,590	-	(4,164,590)	-
Net property and equipment	118,325	-	-	118,325
TOTAL ASSETS	<u>\$ 52,912,234</u>	<u>\$ 19,193,317</u>	<u>\$ (4,164,590)</u>	<u>\$ 67,940,961</u>
 <b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 117,712	\$ 252,390	\$ -	\$ 370,102
Line of credit	1,800,000	-	-	1,800,000
Grants payable	1,104,100	4,363,019	-	5,467,119
Deferred revenue	-	115,372	-	115,372
Intercompany payable	-	4,164,590	(4,164,590)	-
Total liabilities	<u>3,021,812</u>	<u>8,895,371</u>	<u>(4,164,590)</u>	<u>7,752,593</u>
 Net assets:				
Unrestricted	49,890,422	1,581,564	-	51,471,986
Temporarily restricted	-	8,716,382	-	8,716,382
Total net assets	<u>49,890,422</u>	<u>10,297,946</u>	<u>-</u>	<u>60,188,368</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,912,234</u>	<u>\$ 19,193,317</u>	<u>\$ (4,164,590)</u>	<u>\$ 67,940,961</u>

See independent auditor's report on supplementary information.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**SUPPLEMENTARY INFORMATION - SCHEDULE II  
COMBINING STATEMENT OF ACTIVITIES  
For the year ended December 31, 2014**

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
<b>Investment income:</b>				
Interest and dividend income	\$ 223,586	\$ 203,371	\$ -	\$ 426,957
Net realized and unrealized gains	2,360,804	623,583	-	2,984,387
Management fees	(14,049)	(13,206)	-	(27,255)
Net income from real estate LLC	69,408	-	-	69,408
Investment income, net of fees	2,639,749	813,748	-	3,453,497
Investment expenses:				
Investment administrative expenses	144,133	77,524	-	221,657
Net investment income	2,495,616	736,224	-	3,231,840
<b>Other revenue:</b>				
Contributions and grants	-	2,038,963	-	2,038,963
Administrative fees	-	355,183	-	355,183
Total other revenue	-	2,394,146	-	2,394,146
Total revenue	2,495,616	3,130,370	-	5,625,986
<b>Expenses:</b>				
Program expenses:				
Community based initiatives	630,000	-	-	630,000
Regional improvements	535,939	-	-	535,939
Technical assistance/Sponsorship	101,860	-	-	101,860
Other grants	164,267	377,488	-	541,755
Kaiser Permanente Community Fund	-	2,574,231	-	2,574,231
Partners Investing in Nursing	-	663,477	-	663,477
Service fees	-	355,183	-	355,183
Program administrative expenses	525,066	361,474	-	886,540
Total program expenses	1,957,132	4,331,853	-	6,288,985
Interest expense	21,575	-	-	21,575
General and administrative expenses	422,333	267,937	-	690,270
Total expenses	2,401,040	4,599,790	-	7,000,830
Change in net assets	94,576	(1,469,420)	-	(1,374,844)
Net assets - beginning of year	49,795,846	11,767,366	-	61,563,212
Net assets - end of year	<u>\$ 49,890,422</u>	<u>\$ 10,297,946</u>	<u>\$ -</u>	<u>\$ 60,188,368</u>

See independent auditor's report on supplementary information.

**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**SUPPLEMENTARY INFORMATION - SCHEDULE III  
COMBINING STATEMENT OF FINANCIAL POSITION**

**December 31, 2013**

	<u>Northwest Health Foundation</u>	<u>Northwest Health Foundation Fund II</u>	<u>Eliminating Entries</u>	<u>Combined Totals</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,116,357	\$ 2,882,694	\$ -	\$ 4,999,051
Investments	46,215,750	16,856,917	-	63,072,667
Grants receivable and other assets	18,571	149,510	-	168,081
Intercompany receivable	3,305,887	-	(3,305,887)	-
Net property and equipment	<u>51,478</u>	<u>-</u>	<u>-</u>	<u>51,478</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 51,708,043</u></b>	<b><u>\$ 19,889,121</u></b>	<b><u>\$ (3,305,887)</u></b>	<b><u>\$ 68,291,277</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 197,497	\$ 158,585	\$ -	\$ 356,082
Line of credit	1,500,000	-	-	1,500,000
Grants payable	214,700	4,269,655	-	4,484,355
Deferred revenue	-	387,628	-	387,628
Intercompany payable	<u>-</u>	<u>3,305,887</u>	<u>(3,305,887)</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>1,912,197</u></b>	<b><u>8,121,755</u></b>	<b><u>(3,305,887)</u></b>	<b><u>6,728,065</u></b>
Net assets:				
Unrestricted	49,795,846	1,565,458	-	51,361,304
Temporarily restricted	<u>-</u>	<u>10,201,908</u>	<u>-</u>	<u>10,201,908</u>
<b>Total net assets</b>	<b><u>49,795,846</u></b>	<b><u>11,767,366</u></b>	<b><u>-</u></b>	<b><u>61,563,212</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 51,708,043</u></b>	<b><u>\$ 19,889,121</u></b>	<b><u>\$ (3,305,887)</u></b>	<b><u>\$ 68,291,277</u></b>

See independent auditor's report on supplementary information.



**NORTHWEST HEALTH FOUNDATION  
AND NORTHWEST HEALTH FOUNDATION FUND II**

**SUPPLEMENTARY INFORMATION - SCHEDULE IV  
COMBINING STATEMENT OF ACTIVITIES  
For the year ended December 31, 2013**

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
<b>Investment income:</b>				
Interest and dividend income	\$ 245,902	\$ 204,956	\$ -	\$ 450,858
Net realized and unrealized gains	5,484,442	2,227,627	-	7,712,069
Management fees	(12,386)	(10,274)	-	(22,660)
Net income from real estate LLC	46,039	-	-	46,039
Investment income, net of fees	5,763,997	2,422,309	-	8,186,306
Investment expenses:				
Investment administrative expenses	176,109	74,908	-	251,017
Net investment income	5,587,888	2,347,401	-	7,935,289
<b>Other revenue:</b>				
Contributions and grants	-	1,562,637	-	1,562,637
Administrative fees	-	480,194	-	480,194
Total other revenue	-	2,042,831	-	2,042,831
Total revenue, net of investment losses	5,587,888	4,390,232	-	9,978,120
<b>Expenses:</b>				
Program expenses:				
Technical assistance/Sponsorship	100,250	-	-	100,250
Other grants	351,280	190,603	-	541,883
Kaiser Permanente Community Fund	-	2,514,056	-	2,514,056
Partners Investing in Nursing	-	792,597	-	792,597
Health care reform	307,305	-	-	307,305
CareOregon Releasing Time 2 Care	-	109,689	-	109,689
Fluoride Campaign	565,846	-	-	565,846
Service fees	-	480,194	-	480,194
Program administrative expenses	569,926	414,257	-	984,183
Total program expenses	1,894,607	4,501,396	-	6,396,003
Interest expense	38,402	-	-	38,402
General and administrative expenses	467,513	205,794	-	673,307
Total expenses	2,400,522	4,707,190	-	7,107,712
Change in net assets	3,187,366	(316,958)	-	2,870,408
Net assets - beginning of year	46,608,480	12,084,324	-	58,692,804
Net assets - end of year	\$ 49,795,846	\$ 11,767,366	\$ -	\$ 61,563,212

See independent auditor's report on supplementary information.