

NORTHWEST HEALTH
FOUNDATION and NORTHWEST HEALTH
FOUNDATION FUND II

Combined Audited Financial Statements

For the Years Ended
December 31, 2015 and 2014



MCDONALD JACOBS



Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

INDEPENDENT AUDITOR'S REPORT

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

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, 2015 and 2014, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

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, 2015 and 2014, 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 2, 2016

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 10,411,862	\$ 3,102,912
Investments (Note 2)	53,467,768	63,899,117
Grants receivable and other assets (Note 4)	425,972	820,607
Net property and equipment (Note 5)	146,086	118,325
 TOTAL ASSETS	 \$ 64,451,688	 \$ 67,940,961
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 126,463	\$ 370,102
Line of credit (Note 6)	2,300,000	1,800,000
Grants payable (Note 7)	4,825,541	5,467,119
Deferred revenue	-	115,372
 Total liabilities	 7,252,004	 7,752,593
Net assets:		
Unrestricted	49,406,424	51,471,986
Temporarily restricted (Note 8)	7,793,260	8,716,382
 Total net assets	 57,199,684	 60,188,368
 TOTAL LIABILITIES AND NET ASSETS	 \$ 64,451,688	 \$ 67,940,961

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, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Investment income:						
Interest and dividend income, net	\$ 343,984	\$ 52,220	\$ 396,204	\$ 266,179	\$ 133,523	\$ 399,702
Net realized and unrealized gains	317,449	53,007	370,456	2,533,488	450,899	2,984,387
Net income from real estate LLC (Note 3)	16,255	-	16,255	69,408	-	69,408
Investment income, net of fees	677,688	105,227	782,915	2,869,075	584,422	3,453,497
Less investment expenses:						
Investment administrative expenses	208,844	-	208,844	221,657	-	221,657
Net investment income	468,844	105,227	574,071	2,647,418	584,422	3,231,840
Support and other revenue:						
Contributions and grants	-	2,071,697	2,071,697	-	2,038,963	2,038,963
Administrative fees and other revenue	394,682	-	394,682	355,183	-	355,183
Net assets released from restrictions:						
Satisfaction of purpose restrictions	3,100,046	(3,100,046)	-	4,108,911	(4,108,911)	-
Total support and other revenue	3,494,728	(1,028,349)	2,466,379	4,464,094	(2,069,948)	2,394,146
Total revenue	3,963,572	(923,122)	3,040,450	7,111,512	(1,485,526)	5,625,986

(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, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Expenses:						
Program expenses:						
Healthy Beginnings Healthy Communities						
Communities Collaboratives	963,463	-	963,463	630,000	-	630,000
Cultivate Success	268,124	-	268,124	535,939	-	535,939
Equip Voices	231,874	-	231,874	75,610	-	75,610
Sponsorship	85,500	-	85,500	101,860	-	101,860
Kaiser Permanente Community Fund	1,797,707	-	1,797,707	2,574,231	-	2,574,231
Partners Investing in Nursing	135,927	-	135,927	663,477	-	663,477
Oregon Active Schools	552,752	-	552,752	-	-	-
Other grants	376,076	-	376,076	466,145	-	466,145
Service fees	390,932	-	390,932	355,183	-	355,183
Program administrative expenses	552,430	-	552,430	886,540	-	886,540
Total program expenses	5,354,785	-	5,354,785	6,288,985	-	6,288,985
Interest expense	32,877	-	32,877	21,575	-	21,575
General and administrative expenses	641,472	-	641,472	690,270	-	690,270
Total expenses	6,029,134	-	6,029,134	7,000,830	-	7,000,830
Change in net assets	(2,065,562)	(923,122)	(2,988,684)	110,682	(1,485,526)	(1,374,844)
Net assets - beginning of year	51,471,986	8,716,382	60,188,368	51,361,304	10,201,908	61,563,212
Net assets - end of year	\$ 49,406,424	\$ 7,793,260	\$ 57,199,684	\$ 51,471,986	\$ 8,716,382	\$ 60,188,368

(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, 2015 and 2014

	2015	2014
Cash flows from investing activities:		
Net investment income	\$ 574,071	\$ 3,231,840
Adjustments to reconcile change in net investment income to net cash provided by investing activities:		
Additions to property and equipment	(59,066)	(102,741)
Realized and unrealized gains on investments	(370,456)	(2,984,387)
Investments:		
Net change in short-term investments	6,810,054	1,276,811
Purchase of investments	(12,139,071)	(9,638,634)
Proceeds from the sale of investments	16,000,229	10,389,167
Investment in building	<u>130,593</u>	<u>130,593</u>
Net cash provided by investing activities	<u>10,946,354</u>	<u>2,302,649</u>
Cash flows from program activities (Note 15):		
Contributions and other receipts	2,745,642	1,469,364
Grant payments and program funding	(5,443,933)	(4,419,681)
Payments to employees and vendors	<u>(1,439,113)</u>	<u>(1,548,471)</u>
Net cash used in program activities	<u>(4,137,404)</u>	<u>(4,498,788)</u>
Cash flows from financing activities:		
Proceeds from line of credit	<u>500,000</u>	<u>300,000</u>
Net cash provided by financing activities	<u>500,000</u>	<u>300,000</u>
Net increase (decrease) in cash	7,308,950	(1,896,139)
Cash and cash equivalents - beginning of year	<u>3,102,912</u>	<u>4,999,051</u>
Cash and cash equivalents - end of year	<u>\$ 10,411,862</u>	<u>\$ 3,102,912</u>

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2015 and 2014

I. 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, 2015 and 2014

I. 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 \$1,000 (\$500 in 2014) 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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

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

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.

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 2015 and 2014.

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, 2011 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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Foundation and Fund II have evaluated all subsequent events through June 2, 2016, the date the combined financial statements were available to be issued.

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>2015</u>	<u>2014</u>
Cash equivalents	\$ 161,438	\$ 364,426
Marketable securities:		
Fixed income securities	5,777,374	8,981,198
Domestic equities	7,313,538	12,412,904
International equities	<u>7,555,883</u>	<u>8,505,425</u>
Total marketable securities	<u>20,646,795</u>	<u>29,899,527</u>
Alternative investment interests:		
Hedge funds	12,717,922	13,584,834
Private equities	13,047,518	12,122,613
Real estate funds	<u>1,858,520</u>	<u>2,808,397</u>
Total alternative investment interests	<u>27,623,960</u>	<u>28,515,844</u>
Real estate (Note 3)	<u>5,035,575</u>	<u>5,119,320</u>
Total investments	<u>\$53,467,768</u>	<u>\$ 63,899,117</u>

Cost basis of investments totaled \$43,601,719 for 2015 and \$52,341,845 for 2014.

Commitments for alternative investment interests not yet funded approximate \$5,700,000 at December 31, 2015.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

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:

	2015	2014
Assets:		
Cash	\$ 143,311	\$ 101,859
Accounts receivable	(14,718)	2,528
Prepaid expenses	52,843	40,126
Land, building and improvements, net of accumulated depreciation of \$1,966,915 and \$1,708,618 for 2015 and 2014, respectively	4,857,602	4,983,821
Total assets	5,039,038	5,128,334
Liabilities:		
Accounts payable and other liabilities	3,463	9,014
Net equity	\$ 5,035,575	\$ 5,119,320
Income:		
Rent, including combined rent from the Foundation and Fund II of \$257,724 and \$257,514 for 2015 and 2014, respectively	\$ 692,331	\$ 670,824
Interest income	625	462
Total income	692,956	671,286
Operating expenses	676,701	601,878
Net income	\$ 16,255	\$ 69,408
Member distributions during the year	\$ (100,000)	\$ (200,000)

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

4. GRANTS RECEIVABLE AND OTHER ASSETS

Grants receivable and other assets consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Grants receivable - Kaiser Permanente NW	\$ 370,296	\$ 770,267
Accounts receivable and other assets	<u>55,676</u>	<u>50,340</u>
Total grants receivable and other assets	<u>\$ 425,972</u>	<u>\$ 820,607</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, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Office furniture and equipment	\$ 573,332	\$ 651,111
Less: accumulated depreciation	<u>427,246</u>	<u>532,786</u>
Net property and equipment	<u>\$ 146,086</u>	<u>\$ 118,325</u>

Depreciation expense was \$31,305 and \$35,894 for the years ended December 31, 2015 and 2014, 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 on outstanding advances at the floating LIBOR daily rate plus 1.25% (1.53% at December 31, 2015 and 1.34% at December 31, 2014). The line matures in September 2016 and is secured by investments and subject to certain non-financial covenants. Outstanding advances on the line of credit totaled \$2,300,000 and \$1,800,000 at December 31, 2015 and 2014, respectively.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

7. GRANTS PAYABLE

Grants payable represent unconditional promises to give as follows at December 31, 2015 and 2014:

	2015	2014
Payable within one year	\$ 3,345,929	\$ 3,550,323
Payable within two to five years	1,479,612	1,916,796
Total grants payable	\$ 4,825,541	\$ 5,467,119

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, 2015 and 2014 are as follows:

	2015	2014
Kaiser Permanente Community Fund	\$ 2,852,354	\$ 4,123,138
Kaiser Permanente Center for Health Research Endowed Scientist Fund	1,301,602	1,370,098
Jennifer Baker Fund	37,272	35,411
Economic Opportunities Fund	353,470	250,004
Health and Education Fund	960,753	500,000
Oregon Active Schools	184,284	250,000
CareOregon Hospital Transformation	2,037,999	2,082,201
Partners Investing in Nursing	-	26,015
Other	65,526	79,515
Total temporarily restricted net assets	\$ 7,793,260	\$ 8,716,382

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, 2015 and 2014

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. The contribution rate approved by the board was 10% for 2015 and 2014, plus up to an additional 5% employer match dependent on employee contributions. The contributions to the profit sharing plan totaled \$133,781 and \$114,123 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014 approximated \$10,200 and \$9,500, respectively. Future rents total approximately \$10,000 per year 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 \$20,147 (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:

	Lease Income
Years ending December 31, 2016	\$ 334,000
2017	224,100
2018	107,600
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. No contributions were made to the plan for the years ended December 31, 2015 or December 31, 2014. 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, 2015 and 2014

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 \$78,000 and \$93,500 for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, this investment approximated \$73,000 and \$128,000, respectively.

During 2015, there were five members of the Board of Directors or close relatives of Directors who were key employees of organizations receiving grants from the Foundation and Fund II. Grants to these organizations totaled \$627,750 during 2015 of which \$575,000 was included in grants payable at December 31, 2015. Additionally in 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 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. Balances in excess of insured limits totaled approximately \$2,173,000 and \$484,000 at December 31, 2015 and 2014, respectively.

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.

NORTHWEST HEALTH FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

14. CONCENTRATIONS OF CREDIT RISK, Continued

The Foundation's contribution revenues are concentrated with approximately 73% and 79% coming from two sources for the years ended December 31, 2015 and 2014, respectively.

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):

	2015	2014
Change in net assets	\$(2,988,684)	\$ (1,374,844)
Adjustments to reconcile the change in net assets to net cash used in program activities:		
Net investment activity	(574,071)	(3,231,840)
Depreciation	31,305	35,894
Decrease (increase) in:		
Other assets	394,635	(652,526)
Increase (decrease) in:		
Accounts payable and other liabilities	(243,639)	14,020
Grants payable	(641,578)	982,764
Deferred revenue	(115,372)	(272,256)
Net cash used in program activities	\$ (4,137,404)	\$(4,498,788)

Cash paid for interest totaled \$32,877 and \$21,575 for the years ended December 31, 2015 and 2014, 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
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NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

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, 2015 and 2014 are as follows:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2015</u>				
Investments - Marketable securities:				
Fixed income securities	\$ 5,777,374	\$ 5,777,374	\$ -	\$ -
Domestic equities	7,313,538	7,313,538	-	-
International equities	7,555,883	7,555,883	-	-
Investments - Alternative :				
Hedge funds	12,717,922	-	-	12,717,922
Private equities	13,047,518	-	-	13,047,518
Real estate funds	1,858,520	-	-	1,858,520
	<u>\$48,270,755</u>	<u>\$ 20,646,795</u>	<u>\$ -</u>	<u>\$27,623,960</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>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2015 and 2014

16. FAIR VALUE MEASUREMENTS, Continued

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, 2015 and 2014.

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>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 28,515,844	\$ 27,592,594
Net capital contributions (distributions)	(1,115,574)	(739,521)
Realized gains	652,010	904,516
Unrealized gains (losses)	<u>(428,320)</u>	<u>758,255</u>
Balance at end of year	<u>\$ 27,623,960</u>	<u>\$ 28,515,844</u>

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

	<u>2015</u>	<u>2014</u>
Unrestricted	\$ 194,394	\$ 1,523,738
Temporarily restricted	<u>29,296</u>	<u>139,033</u>
Change in value of investments in limited partnerships	<u>\$ 223,690</u>	<u>\$ 1,662,771</u>

SUPPLEMENTARY INFORMATION



Shareholders

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

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

Principals

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

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, 2015 and 2014, and our report thereon dated June 2, 2016, which contained an unmodified opinion on those combined financial statements, appears on page 2. 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 and changes in net assets 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 2, 2016

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

SUPPLEMENTARY INFORMATION - SCHEDULE I
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2015

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
ASSETS				
Cash and cash equivalents	\$ 2,095,199	\$ 8,316,663	\$ -	\$ 10,411,862
Investments	44,689,445	8,778,323	-	53,467,768
Grants receivable and other assets	48,774	377,198	-	425,972
Intercompany receivable	4,951,882	-	(4,951,882)	-
Net property and equipment	<u>146,086</u>	<u>-</u>	<u>-</u>	<u>146,086</u>
TOTAL ASSETS	<u>\$ 51,931,386</u>	<u>\$ 17,472,184</u>	<u>\$ (4,951,882)</u>	<u>\$ 64,451,688</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 101,954	\$ 24,509	\$ -	\$ 126,463
Line of credit	2,300,000	-	-	2,300,000
Grants payable	1,193,450	3,632,091	-	4,825,541
Intercompany payable	<u>-</u>	<u>4,951,882</u>	<u>(4,951,882)</u>	<u>-</u>
Total liabilities	<u>3,595,404</u>	<u>8,608,482</u>	<u>(4,951,882)</u>	<u>7,252,004</u>
Net assets:				
Unrestricted	48,286,881	1,119,543	-	49,406,424
Temporarily restricted	<u>49,101</u>	<u>7,744,159</u>	<u>-</u>	<u>7,793,260</u>
Total net assets	<u>48,335,982</u>	<u>8,863,702</u>	<u>-</u>	<u>57,199,684</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 51,931,386</u>	<u>\$ 17,472,184</u>	<u>\$ (4,951,882)</u>	<u>\$ 64,451,688</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, 2015

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
Investment income:				
Interest and dividend income	\$ 289,125	\$ 107,079	\$ -	\$ 396,204
Net realized and unrealized gains	477,713	(107,257)	-	370,456
Net income from real estate LLC	16,255	-	-	16,255
Investment income, net of fees	<u>783,093</u>	<u>(178)</u>	-	<u>782,915</u>
Less investment expenses:				
Investment administrative expenses	<u>135,920</u>	<u>72,924</u>	-	<u>208,844</u>
Net investment income	<u>647,173</u>	<u>(73,102)</u>	-	<u>574,071</u>
Other revenue:				
Contributions and grants	86,050	1,985,647	-	2,071,697
Administrative fees	-	394,682	-	394,682
Total other revenue	<u>86,050</u>	<u>2,380,329</u>	-	<u>2,466,379</u>
Total revenue	<u>733,223</u>	<u>2,307,227</u>	-	<u>3,040,450</u>
Expenses:				
Program expenses:				
Healthy Beginnings Healthy Communities:				
Communities Collaboratives	963,463	-	-	963,463
Cultivate Success	268,124	-	-	268,124
Equip Voices	231,874	-	-	231,874
Sponsorship	85,500	-	-	85,500
Kaiser Permanente Community Fund	-	1,797,707	-	1,797,707
Partners Investing in Nursing	-	135,927	-	135,927
Oregon Active Schools	-	552,752	-	552,752
Other grants	131,837	244,239	-	376,076
Service fees	-	390,932	-	390,932
Program administrative expenses	<u>244,560</u>	<u>307,870</u>	-	<u>552,430</u>
Total program expenses	1,925,358	3,429,427	-	5,354,785
Interest expense	32,877	-	-	32,877
General and administrative expenses	<u>329,428</u>	<u>312,044</u>	-	<u>641,472</u>
Total expenses	<u>2,287,663</u>	<u>3,741,471</u>	-	<u>6,029,134</u>
Change in net assets	(1,554,440)	(1,434,244)	-	(2,988,684)
Net assets - beginning of year	<u>49,890,422</u>	<u>10,297,946</u>	-	<u>60,188,368</u>
Net assets - end of year	<u>\$ 48,335,982</u>	<u>\$ 8,863,702</u>	<u>\$ -</u>	<u>\$ 57,199,684</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, 2014

	<u>Northwest Health Foundation</u>	<u>Northwest Health Foundation Fund II</u>	<u>Eliminating Entries</u>	<u>Combined Totals</u>
ASSETS				
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	<u>118,325</u>	<u>-</u>	<u>-</u>	<u>118,325</u>
 TOTAL ASSETS	 <u>\$ 52,912,234</u>	 <u>\$ 19,193,317</u>	 <u>\$ (4,164,590)</u>	 <u>\$ 67,940,961</u>
LIABILITIES AND NET ASSETS				
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	<u>-</u>	<u>4,164,590</u>	<u>(4,164,590)</u>	<u>-</u>
 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	<u>-</u>	<u>8,716,382</u>	<u>-</u>	<u>8,716,382</u>
 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 IV
COMBINING STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
Investment income:				
Interest and dividend income, net	\$ 209,537	\$ 190,165	\$ -	\$ 399,702
Net realized and unrealized gains	2,360,804	623,583	-	2,984,387
Net income from real estate LLC	69,408	-	-	69,408
Investment income, net of fees	2,639,749	813,748	-	3,453,497
Less investment expenses:				
Investment administrative expenses	144,133	77,524	-	221,657
Net investment income	2,495,616	736,224	-	3,231,840
Other revenue:				
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, net of investment losses	2,495,616	3,130,370	-	5,625,986
Expenses:				
Program expenses:				
Healthy Beginnings Healthy Communities:				
Communities Collaboratives	630,000	-	-	630,000
Cultivate Success	535,939	-	-	535,939
Equip Voices	75,610	-	-	75,610
Sponsorships	101,860	-	-	101,860
Kaiser Permanente Community Fund	-	2,574,231	-	2,574,231
Partners Investing in Nursing	-	663,477	-	663,477
Other grants	88,657	377,488	-	466,145
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	\$ 49,890,422	\$ 10,297,946	\$ -	\$ 60,188,368

See independent auditor's report on supplementary information.