

NORTHWEST HEALTH
FOUNDATION and NORTHWEST HEALTH
FOUNDATION FUND II

Combined Audited Financial Statements

For the Year Ended
December 31, 2018



MCDONALD JACOBS

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 of Northwest Health Foundation (the Foundation) and Northwest Health Foundation Fund II (Fund II), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities, functional expenses, and cash flows for the year 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, 2018, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Northwest Health Foundation's 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
May 29, 2019

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With comparative totals for 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 4,882,152	\$ 7,235,689
Grants receivable and other assets (Note 5)	606,956	875,692
Investments (Note 3)	49,570,025	53,197,129
Net property and equipment (Note 6)	61,370	89,502
 TOTAL ASSETS	 \$ 55,120,503	 \$ 61,398,012
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 103,576	\$ 115,324
Grants payable (Note 8)	1,411,224	2,542,481
Total liabilities	1,514,800	2,657,805
Net assets:		
Without donor restrictions:		
Undesignated	48,543,187	51,680,448
Board designated (Note 9)	194,070	250,000
Total without donor restrictions	48,737,257	51,930,448
With donor restrictions (Note 9)	4,868,446	6,809,759
Total net assets	53,605,703	58,740,207
 TOTAL LIABILITIES AND NET ASSETS	 \$ 55,120,503	 \$ 61,398,012

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

COMBINED STATEMENT OF ACTIVITIES
For the year ended December 31, 2018
(With comparative totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue:				
Investment income:				
Interest and dividend income, net	\$ 380,574	\$ 87,957	\$ 468,531	\$ 457,253
Change in value of investments	(1,314,622)	(162,334)	(1,476,956)	5,542,189
Net income from real estate LLC (Note 4)	15,458	-	15,458	16,766
Investment income (loss), net of fees	(918,590)	(74,377)	(992,967)	6,016,208
Less investment expenses:				
Investment administrative expenses	230,856	-	230,856	201,054
Net investment income (loss)	(1,149,446)	(74,377)	(1,223,823)	5,815,154
Support and other revenue:				
Contributions and grants	721,005	661,043	1,382,048	529,737
Administrative fees and other revenue	164,648	-	164,648	261,156
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,527,979	(2,527,979)	-	-
Total support and other revenue	3,413,632	(1,866,936)	1,546,696	790,893
Total revenue	2,264,186	(1,941,313)	322,873	6,606,047
Expenses:				
Program expenses:				
Healthy Beginnings Healthy Communities:				
Communities Collaboratives	1,105,951	-	1,105,951	1,041,994
Equip Voices	900,986	-	900,986	368,802
Health and Education Fund	1,374,121	-	1,374,121	102,717
Kaiser Permanente Community Fund	496,968	-	496,968	241,918
CareOregon Fund	234,800	-	234,800	104,800
Other programs	386,906	-	386,906	516,307
Program administrative expenses	453,640	-	453,640	548,668
Total program expenses	4,953,372	-	4,953,372	2,925,206
Interest expense	-	-	-	9,663
General and administrative expenses	504,005	-	504,005	480,426
Total expenses	5,457,377	-	5,457,377	3,415,295
Change in net assets	(3,193,191)	(1,941,313)	(5,134,504)	3,190,752
Net assets - beginning of year	51,930,448	6,809,759	58,740,207	55,549,455
Net assets - end of year	\$ 48,737,257	\$ 4,868,446	\$ 53,605,703	\$ 58,740,207

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018
(With comparative totals for 2017)

	Healthy Beginnings and Healthy Communities	Health and Education Fund	Kaiser Permanente Community Fund	CareOregon Fund	Other Programs	Program Adminis- trative	Total Program	General and Administrative	2018 Total	2017 Total
Grants	\$ 1,511,000	\$ 1,259,118	\$ 200,000	\$ 230,000	\$ 189,450	\$ -	\$ 3,389,568	\$ -	\$ 3,389,568	\$ 1,289,757
Salaries and related expenses	229,340	42,164	-	-	79,618	309,510	660,632	329,247	989,879	1,077,752
Professional fees	6,689	810	-	-	2,969	1,918	12,386	64,809	77,195	77,286
Consulting	69,500	15,000	112,352	-	38,207	-	235,059	7,291	242,350	173,047
Service fees	-	34,848	112,200	4,800	12,800	-	164,648	-	164,648	261,156
Lobbying	55,387	-	-	-	-	-	55,387	152	55,539	55,360
Meeting and travel expenses	67,890	11,971	52,923	-	38,121	44,066	214,971	39,110	254,081	181,443
Equipment and maintenance	400	-	19,237	-	193	-	19,830	32,773	52,603	70,668
Rent	-	-	-	-	-	-	-	142,859	142,859	132,961
Subscriptions and dues	-	-	-	-	688	6,759	7,447	5,386	12,833	29,669
Other operating costs	14,311	-	256	-	216	2,916	17,699	29,303	47,002	30,986
Depreciation and amortization	-	-	-	-	-	-	-	28,820	28,820	35,210
Total expenses before allocation of shared costs	1,954,517	1,363,911	496,968	234,800	362,262	365,169	4,777,627	679,750	5,457,377	3,415,295
Allocation of shared costs	52,420	10,210	-	-	24,644	88,471	175,745	(175,745)	-	-
Total expenses	\$ 2,006,937	\$ 1,374,121	\$ 496,968	\$ 234,800	\$ 386,906	\$ 453,640	\$ 4,953,372	\$ 504,005	\$ 5,457,377	\$ 3,415,295

See notes to combined financial statements

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

COMBINED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

(With comparative totals for 2017)

	2018	2017
Cash flows from investing activities:		
Net investment income (loss)	\$ (1,223,823)	\$ 5,815,154
Adjustments to reconcile change in net investment income to net cash flows from investing activities:		
Additions to property and equipment	(3,702)	-
Change in value of investments	1,476,956	(5,542,189)
Investments:		
Net change in short-term investments	(1,975,119)	1,971,181
Purchase of investments	(20,813,518)	(8,084,959)
Proceeds from the sale of investments	24,754,243	11,868,990
Investment in Philanthropy Center	184,542	283,234
Net cash flows from investing activities	2,399,579	6,311,411
Cash flows from program activities:		
Contributions and other receipts	1,815,432	232,721
Grant payments and program funding	(5,630,989)	(4,251,838)
Payments to employees and vendors	(937,559)	(1,008,985)
Net cash flows from program activities	(4,753,116)	(5,028,102)
Cash flows from financing activities:		
Net payments on line of credit	-	(2,250,000)
Net cash flows from financing activities	-	(2,250,000)
Net change in cash and equivalents	(2,353,537)	(966,691)
Cash and cash equivalents - beginning of year	7,235,689	8,202,380
Cash and cash equivalents - end of year	\$ 4,882,152	\$ 7,235,689
<u>Supplemental Cash Flow Information</u>		
Cash paid during the year for interest	\$ -	\$ 9,663

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2018

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 to facilitate the establishment and management of donor advised funds and philanthropic partnerships which support and align with the mission of the Foundation.

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, 2018

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 4). Investments in the building and improvements are stated at depreciated cost by the LLC. Additionally, the Foundation owns a building that is leased to nonprofit. Investment in the building is stated at depreciated cost.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 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. 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, 2018

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

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services including personnel expenses, professional and consulting services, travel and other costs which are allocated based upon the nature of the expenses and estimated time and effort. Certain indirect costs including rental, facility, maintenance expenses have been allocated to programs and supporting services based upon estimated usage.

Certain 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 \$33,100 and \$60,000 for the years ended December 31, 2018 and 2017, respectively.

Change in Accounting Principle

The Foundation and Fund II have implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Update modified net asset classifications and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The Update has been applied retrospectively to all periods presented.

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 2018 and 2017.

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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

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

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 May 29, 2019, the date the combined financial statements were available to be issued.

Reclassifications

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

Summarized Financial Information for 2017

The financial information as of December 31, 2017 and for the year then ended is presented for comparative purposes and is not intended to be a complete combined financial statement presentation.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation and Fund II regularly monitor liquidity required to meet their operating needs and other contractual commitments, while also striving to maximize the investment of their available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation and Fund II consider all expenditures related to its primary operations to be general expenditures. The Foundation and Fund II exclude financial assets with donor or other restrictions limiting their use, and also exclude alternative and real estate investments, which have restrictions limiting their use and redemption.

The Foundation and Fund II have various sources of liquidity available including cash and cash equivalents, marketable debt and equity securities, and a line of credit. See Note 7 for information about the Foundation's line of credit.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Foundation and Fund II consist of the following at year-end:

	Available for General Expenditure	Board Designated	With Donor Restrictions	Non-Liquid Investments	Total Financial Assets
Cash and cash equivalents	\$ 2,471,278	\$ 194,070	\$ 2,216,804	\$ -	\$ 4,882,152
Grants and accounts receivable	422,953	-	70,000	-	492,953
Investments	22,869,896	-	2,581,642	24,118,487	49,570,025
Total financial assets at December 31, 2018	<u>\$ 25,764,127</u>	<u>\$ 194,070</u>	<u>\$ 4,868,446</u>	<u>\$ 24,118,487</u>	<u>\$ 54,945,130</u>

3. 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:

	2018	2017
Cash equivalents	\$ 132,218	\$ 160,219
Marketable securities:		
Fixed income securities	6,777,929	6,620,908
Domestic equities	7,926,294	7,034,371
International equities	10,615,097	14,106,433
Total marketable securities	<u>25,319,320</u>	<u>27,761,712</u>
Alternative investment interests:		
Hedge funds	5,995,027	6,905,803
Private equities	11,190,588	10,918,473
Real estate funds	1,680,756	2,008,214
Total alternative investment interests	<u>18,866,371</u>	<u>19,832,490</u>
Real estate LLC (Note 4)	4,383,904	4,568,446
Real estate (Note 4)	868,212	874,262
Total investments	<u>\$ 49,570,025</u>	<u>\$ 53,197,129</u>

Commitments for alternative investment interests not yet funded approximate \$5,600,000 at December 31, 2018.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

4. INVESTMENT IN REAL ESTATE LLC AND OTHER REAL ESTATE

The Foundation is the sole member in an LLC that owns a building, which is held for investment purposes and leased to various organizations. Investment in the LLC and net income of the LLC are reported by the Foundation in the combined financial statements on 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:

	2018	2017
Assets:		
Cash	\$ 85,327	\$ 121,020
Accounts receivable	1,376	-
Prepaid expenses	53,895	50,152
Land, building and improvements, net of accumulated depreciation of \$1,796,098 and \$2,450,215 for 2018 and 2017, respectively	4,243,306	4,397,274
Total assets	4,383,904	4,568,446
Liabilities:		
Accounts payable and other liabilities	-	-
Net equity	\$ 4,383,904	\$ 4,568,446
Income:		
Rent, including combined rent from the Foundation and Fund II of \$206,918 and \$254,694 for 2018 and 2017, respectively	\$ 706,461	\$ 689,392
Interest income	765	812
Total income	707,226	690,204
Operating expenses	691,768	673,438
Net income	\$ 15,458	\$ 16,766
Member distributions during the year	\$ (200,000)	\$ (300,000)

In 2017, the Foundation purchased a building for investment purposes. At December 31, 2018 and 2017, the net cost of the building totaled \$868,212 and \$874,262, respectively, which includes the purchase price and all other costs associated with the acquisition and improvements, net of accumulated depreciation. The cost is included in investments on the combined statement of financial position. Beginning in 2018, the Foundation entered into an agreement to lease the building to another nonprofit organization for \$1 per year until December 2019.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

5. GRANTS RECEIVABLE AND OTHER ASSETS

Grants receivable and other assets are unsecured and consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Grants receivable within one year	\$ 176,000	\$ -
Investment proceeds receivable	315,651	719,312
Accounts receivable and other assets	<u>115,305</u>	<u>156,380</u>
Total grants receivable and other assets	<u>\$ 606,956</u>	<u>\$ 875,692</u>

Fund II was awarded a \$200,000 in pledge contingent on meeting certain requirements that were determined not to have been met as of December 31, 2018. Accordingly, the pledge is not reflected in the financial statements. Fund II will record revenue when the conditions have been met.

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Office furniture and equipment	\$ 595,312	\$ 591,609
Less: accumulated depreciation	<u>533,942</u>	<u>502,107</u>
Net property and equipment	<u>\$ 61,370</u>	<u>\$ 89,502</u>

Depreciation expense was \$28,820 and \$38,613 for the years ended December 31, 2018 and 2017, respectively.

7. 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% (3.60% at December 31, 2018 and 2.70% at December 31, 2017). The line matures in September 2019 and is secured by investments and subject to certain non-financial covenants. There were no outstanding advances on the line of credit at December 31, 2018 and 2017.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

8. GRANTS PAYABLE

Grants payable represent unconditional promises to give as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Payable within one year	\$ 1,286,224	\$ 2,185,500
Payable within two to five years	<u>125,000</u>	<u>356,981</u>
Total grants payable	<u>\$ 1,411,224</u>	<u>\$ 2,542,481</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.

9. BOARD DESIGNATED NET ASSETS AND NET ASSETS WITH DONOR RESTRICTIONS

Board Designated

The Board of Directors of the Foundation designated \$194,070 and \$250,000 at December 31, 2018 and 2017, respectively, for the Health and Education initiative.

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Kaiser Permanente Community Fund	\$ 456,268	\$ 867,616
Kaiser Permanente Center for Health Research Endowed Scientist Fund	1,488,711	1,546,332
Economic Opportunities Fund	425,396	442,585
Health and Education Fund	1,166,024	2,322,986
Oregon Active Schools	123,525	183,167
CareOregon Hospital Transformation	1,042,710	1,314,721
Other	<u>165,812</u>	<u>132,352</u>
Total net assets with donor restrictions	<u>\$4,868,446</u>	<u>\$ 6,809,759</u>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

10. 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 2018 and 2017, plus up to an additional 5% employer match dependent on employee contributions. The contributions to the profit sharing plan totaled approximately \$115,500 and \$126,800 for the years ended December 31, 2018 and 2017, respectively.

11. LEASE COMMITMENTS

The Foundation and Fund II lease office space under a lease agreement through February 2023 from the Foundation's wholly-owned single member LLC that owns the building where the Foundation and Fund II are located, with monthly rent of \$15,673 (see Note 4).

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

Years ending December 31, 2019	\$ 340,000
2020	209,000
2021	181,500
2022	176,000
2023	<u>73,300</u>
	<u>\$ 979,800</u>

12. RELATED PARTY TRANSACTIONS

During 2018, there were seven members of the Board of Directors, key employees, or close relatives of Directors who were key employees of organizations receiving grants from the Foundation and Fund II. Grants to these organizations totaled \$406,000 during 2018, of which \$167,000 are included in grants payable at December 31, 2018. During 2017, there were nine 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 \$243,900 during 2017, of which \$25,000 are included in grants payable at December 31, 2017.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

13. CONCENTRATIONS AND CREDIT RISK

The Foundation and Fund II maintain cash balances in several 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 \$2,011,000 and \$2,680,000 at December 31, 2018 and 2017, 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.

The Foundation's contribution revenues were concentrated with approximately 65% of total contribution revenue received from four sources in 2018 and 80% received from two sources in 2017.

14. 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.

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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

	<u>Total</u>	<u>Level 1</u>
<u>December 31, 2018</u>		
Investments - Marketable securities:		
Fixed income securities	\$ 6,777,929	\$ 6,777,929
Domestic equities	7,926,294	7,926,294
International equities	<u>10,615,097</u>	<u>10,615,097</u>
Total	25,319,320	<u>\$ 25,319,320</u>
Investments measures at NAV	<u>18,866,371</u>	
Total investments	<u>\$ 44,185,691</u>	
<u>December 31, 2017</u>		
Investments - Marketable securities:		
Fixed income securities	\$ 6,620,908	\$ 6,620,908
Domestic equities	7,034,371	7,034,371
International equities	<u>14,106,433</u>	<u>14,106,433</u>
Total	27,761,712	<u>\$ 27,761,712</u>
Investments measures at NAV	<u>19,832,490</u>	
Total investments	<u>\$ 47,594,202</u>	

Fair values of investments in marketable securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments Measured at Net Asset Value (NAV)

Quoted market prices are not available for limited partnership interests (alternative investments). This investments are recorded based on the net asset value of the Foundation's ownership interests in the partners' capital which includes assumptions and methods that were prepared by the General Partners and managers of the entities and were reviewed by Foundation's management. The reported net asset value may differ from the value that would be used had the quoted market price existed. The Foundation believes that the reported amount for these investments is a reasonable estimate of fair value at December 31, 2018 and 2017.

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2018

14. FAIR VALUE MEASUREMENTS, Continued

Funds focus on growth in equity, buyout opportunities, or distressed debt. These investments are not readily redeemable; however, a secondary market does exist. Distributions normally are received through the liquidation of the underlying assets in the funds.

There were no changes in the valuation techniques during the years ended December 31, 2018 and 2017.

Hedge Funds – Funds that can invest long and short, primarily in common stocks. Fund managers may invest in value, growth, or event-driven equity opportunities and typically are not restricted by market capitalization, industry sector, or geography. Leverage may be utilized, which can magnify changes in the values of the underlying securities.

Private Equity Funds – Funds focused on growth in equity, buyout opportunities, or distressed debt. These investments are not readily redeemable; however, a secondary market does exist. Distributions normally are received through the liquidation of the underlying assets in the fund. The terms of these investments range from three to ten years.

Real Estate Funds – Funds focused on real estate assets primarily located in the United States. These investments are not redeemable. Instead, distributions are received through the liquidation of the underlying assets in the fund. The terms of these investments range from two to ten years.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

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 year ended December 31, 2018, and our report thereon dated May 29, 2019, 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 II 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
May 29, 2019

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
SUPPLEMENTARY INFORMATION - SCHEDULE I
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2018

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
ASSETS				
Cash and cash equivalents	\$ 1,297,677	\$ 3,584,475	\$ -	\$ 4,882,152
Grants receivable and other assets	428,780	178,176	-	606,956
Intercompany receivable	475,187	-	(475,187)	-
Investments	46,340,650	3,229,375	-	49,570,025
Net property and equipment	61,370	-	-	61,370
TOTAL ASSETS	\$ 48,603,664	\$ 6,992,026	\$ (475,187)	\$ 55,120,503
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 86,999	\$ 16,577	\$ -	\$ 103,576
Grants payable	267,119	1,144,105	-	1,411,224
Intercompany payable	-	475,187	(475,187)	-
Total liabilities	354,118	1,635,869	(475,187)	1,514,800
Net assets:				
Without donor restrictions:				
Undesignated	48,055,476	487,711	-	48,543,187
Board designated	194,070	-	-	194,070
Total without donor restrictions	48,249,546	487,711	-	48,737,257
With donor restrictions	-	4,868,446	-	4,868,446
Total net assets	48,249,546	5,356,157	-	53,605,703
TOTAL LIABILITIES AND NET ASSETS	\$ 48,603,664	\$ 6,992,026	\$ (475,187)	\$ 55,120,503

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, 2018

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
Investment income:				
Interest and dividend income, net of fees	\$ 357,827	\$ 110,704	\$ -	\$ 468,531
Change in value of investments	(1,277,222)	(199,734)	-	(1,476,956)
Net income from real estate LLC	15,458	-	-	15,458
Investment income (loss), net of fees	(903,937)	(89,030)	-	(992,967)
Less investment expenses:				
Investment administrative expenses	186,384	44,472	-	230,856
Net investment income (loss)	(1,090,321)	(133,502)	-	(1,223,823)
Other revenue:				
Contributions and grants	-	1,382,048	-	1,382,048
Administrative fees	-	164,648	-	164,648
Total other revenue	-	1,546,696	-	1,546,696
Total revenue, net of investment loss	(1,090,321)	1,413,194	-	322,873
Expenses:				
Program expenses:				
Healthy Beginnings Healthy Communities:				
Communities Collaborative	500,129	605,822	-	1,105,951
Equip Voices	900,986	-	-	900,986
Health and Education Fund	(194,070)	1,568,191	-	1,374,121
Kaiser Permanente Community Fund	-	496,968	-	496,968
CareOregon Fund	-	234,800	-	234,800
Other programs	163,886	223,020	-	386,906
Program administrative expenses	234,199	219,441	-	453,640
Total program expenses	1,605,130	3,348,242	-	4,953,372
General and administrative expenses	320,522	183,483	-	504,005
Total expenses	1,925,652	3,531,725	-	5,457,377
Change in net assets	(3,015,973)	(2,118,531)	-	(5,134,504)
Net assets - beginning of year	51,265,519	7,474,688	-	58,740,207
Net assets - end of year	\$ 48,249,546	\$ 5,356,157	\$ -	\$ 53,605,703

See independent auditor's report on supplementary information.