

NORTHWEST HEALTH
FOUNDATION and NORTHWEST HEALTH
FOUNDATION FUND II

Combined Audited Financial Statements

For the Year Ended
December 31, 2019



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, 2019, 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, 2019, 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 2018 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 27, 2020

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With comparative totals for 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 6,075,026	\$ 4,882,152
Grants receivable and other assets (Note 3)	127,856	606,956
Investments (Note 4)	52,396,972	49,570,025
Net property and equipment (Note 6)	50,036	61,370
 TOTAL ASSETS	 \$ 58,649,890	 \$ 55,120,503

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 59,002	\$ 103,576
Grants payable (Note 8)	2,432,740	1,411,224
Total liabilities	2,491,742	1,514,800
Net assets:		
Without donor restrictions:		
Undesignated	52,190,055	48,543,187
Board designated (Note 9)	-	194,070
Total without donor restrictions	52,190,055	48,737,257
With donor restrictions (Note 9)	3,968,093	4,868,446
Total net assets	56,158,148	53,605,703
 TOTAL LIABILITIES AND NET ASSETS	 \$ 58,649,890	 \$ 55,120,503

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, 2019

(With comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue:				
Investment income:				
Interest and dividend income, net	\$ 388,208	\$ 77,018	\$ 465,226	\$ 468,531
Change in value of investments	5,711,541	273,008	5,984,549	(1,476,956)
Net income from real estate LLC (Note 5)	15,669	-	15,669	15,458
Investment income, net of fees	6,115,418	350,026	6,465,444	(992,967)
Less investment expenses:				
Investment administrative expenses	150,638	-	150,638	230,856
Net investment income (loss)	5,964,780	350,026	6,314,806	(1,223,823)
Support and other revenue:				
Contributions and grants	1,029,000	402,085	1,431,085	1,382,048
Administrative fees and other revenue	111,871	-	111,871	164,648
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,652,464	(1,652,464)	-	-
Total support and other revenue	2,793,335	(1,250,379)	1,542,956	1,546,696
Total revenue	8,758,115	(900,353)	7,857,762	322,873
Expenses:				
Program expenses:				
Healthy Beginnings Healthy Communities	1,031,835	-	1,031,835	2,006,937
Health and Education Fund	2,102,175	-	2,102,175	1,374,121
Civic Health Fund	772,218	-	772,218	-
Kaiser Permanente Community Fund	179,591	-	179,591	496,968
CareOregon Fund	144,800	-	144,800	234,800
Other programs	80,651	-	80,651	386,906
Program administrative expenses	502,846	-	502,846	453,640
Total program expenses	4,814,116	-	4,814,116	4,953,372
General and administrative expenses	491,201	-	491,201	504,005
Total expenses	5,305,317	-	5,305,317	5,457,377
Change in net assets	3,452,798	(900,353)	2,552,445	(5,134,504)
Net assets - beginning of year	48,737,257	4,868,446	53,605,703	58,740,207
Net assets - end of year	<u>\$ 52,190,055</u>	<u>\$ 3,968,093</u>	<u>\$ 56,158,148</u>	<u>\$ 53,605,703</u>

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, 2019

	Healthy Beginnings and Healthy Communities	Health and Education Fund	Civic Health Fund	Kaiser Permanente Community Fund	CareOregon Fund	Other Programs	Program Adminis- trative	Total Program	General and Administrative	Total
Grants, net of returned funds	\$ 820,250	\$ 1,991,416	\$ 600,500	\$ (10,000)	\$ 140,000	\$ (26,931)	\$ -	\$ 3,515,235	\$ -	\$ 3,515,235
Salaries and related expenses	85,935	45,309	101,897	-	-	35,294	356,527	624,962	337,311	962,273
Professional fees	2,814	254	487	428	-	1,044	-	5,027	165,176	170,203
Consulting	5,856	35,955	46,530	67,608	-	35,954	5,437	197,340	50,102	247,442
Service fees	-	17,490	-	76,781	4,800	12,800	-	111,871	-	111,871
Lobbying	61,509	-	-	-	-	-	-	61,509	-	61,509
Meeting and travel expenses	29,929	4,009	5,961	36,174	-	3,996	25,962	106,031	23,622	129,653
Equipment and maintenance	450	-	-	8,600	-	400	3,000	12,450	19,645	32,095
Rent	-	-	-	-	-	-	-	-	150,265	150,265
Subscriptions and dues	-	-	-	-	-	-	10,766	10,766	5,320	16,086
Other operating costs	-	10	17	-	-	818	5,443	6,288	33,414	39,702
Depreciation and amortization	-	-	-	-	-	-	-	-	19,621	19,621
	<u>1,006,743</u>	<u>2,094,443</u>	<u>755,392</u>	<u>179,591</u>	<u>144,800</u>	<u>63,375</u>	<u>407,135</u>	<u>4,651,479</u>	<u>804,476</u>	<u>5,455,955</u>
Allocation of shared costs	25,092	7,732	16,826	-	-	17,276	95,711	162,637	(162,637)	-
Less investment administration costs netted with revenue	-	-	-	-	-	-	-	-	(150,638)	(150,638)
Total expenses	<u>\$ 1,031,835</u>	<u>\$ 2,102,175</u>	<u>\$ 772,218</u>	<u>\$ 179,591</u>	<u>\$ 144,800</u>	<u>\$ 80,651</u>	<u>\$ 502,846</u>	<u>\$ 4,814,116</u>	<u>\$ 491,201</u>	<u>\$ 5,305,317</u>

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

	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	Total
Grants	\$ 1,511,000	\$ 1,259,118	\$ 200,000	\$ 230,000	\$ 189,450	\$ -	\$ 3,389,568	\$ -	\$ 3,389,568
Salaries and related expenses	229,340	42,164	-	-	79,618	309,510	660,632	403,948	1,064,580
Professional fees	6,689	810	-	-	2,969	1,918	12,386	207,486	219,872
Consulting	69,500	15,000	112,352	-	38,207	-	235,059	7,291	242,350
Service fees	-	34,848	112,200	4,800	12,800	-	164,648	-	164,648
Lobbying	55,387	-	-	-	-	-	55,387	152	55,539
Meeting and travel expenses	67,890	11,971	52,923	-	38,121	44,066	214,971	42,778	257,749
Equipment and maintenance	400	-	19,237	-	193	-	19,830	32,773	52,603
Rent	-	-	-	-	-	-	-	142,859	142,859
Subscriptions and dues	-	-	-	-	688	6,759	7,447	5,386	12,833
Other operating costs	14,311	-	256	-	216	2,916	17,699	39,113	56,812
Depreciation and amortization	-	-	-	-	-	-	-	28,820	28,820
	<u>1,954,517</u>	<u>1,363,911</u>	<u>496,968</u>	<u>234,800</u>	<u>362,262</u>	<u>365,169</u>	<u>4,777,627</u>	<u>910,606</u>	<u>5,688,233</u>
Allocation of shared costs	52,420	10,210	-	-	24,644	88,471	175,745	(175,745)	-
Less investment administration costs netted with revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,856)</u>	<u>(230,856)</u>
Total expenses	<u>\$ 2,006,937</u>	<u>\$ 1,374,121</u>	<u>\$ 496,968</u>	<u>\$ 234,800</u>	<u>\$ 386,906</u>	<u>\$ 453,640</u>	<u>\$ 4,953,372</u>	<u>\$ 504,005</u>	<u>\$ 5,457,377</u>

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, 2019

(With comparative totals for 2018)

	2019	2018
Cash flows from investing activities:		
Net investment income (loss)	\$ 6,314,806	\$ (1,223,823)
Adjustments to reconcile change in net investment income to net cash flows from investing activities:		
Additions to property and equipment	(8,287)	(3,702)
Change in value of investments	(5,984,549)	1,476,956
Investments:		
Net change in short-term investments	310,212	(1,975,119)
Purchase of investments	(8,944,098)	(20,813,518)
Proceeds from the sale of investments	11,607,157	24,754,243
Net proceeds from investment in Philanthropy Center	184,331	184,542
Net cash flows from investing activities	3,479,572	2,399,579
 Cash flows from program activities:		
Contributions and other receipts	2,022,056	1,815,432
Grant payments and program funding	(3,289,754)	(5,630,989)
Payments to employees and vendors	(1,019,000)	(937,559)
Net cash flows from program activities	(2,286,698)	(4,753,116)
 Net change in cash and equivalents	1,192,874	(2,353,537)
 Cash and cash equivalents - beginning of year	4,882,152	7,235,689
 Cash and cash equivalents - end of year	\$ 6,075,026	\$ 4,882,152

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2019

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, 2019

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 5). 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 cost, net of accumulated depreciation.

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.

Revenue Recognition

Contributions and grants, 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.

Administrative fees are recorded in the period in which services are provided. The transaction price of administrative fee contracts are agreed upon generally as a percentage of the agency fund or an annual flat rate. Administrative fees totaled approximately \$111,900 and \$164,600 in 2019 and 2018, respectively. There were no related accounts receivable (contract assets) or deferred revenue (contract liabilities) related to administrative fees at December 31, 2019 or 2018.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

I. 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 salaries and related 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 \$24,000 and \$33,100 for the years ended December 31, 2019 and December 31, 2018, respectively.

Change in Accounting Principle

The Foundation has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* beginning in 2019. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

The Foundation also implemented Accounting Standards Update 2018-08, *clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Foundation's revenue recognition in either year presented for this change in accounting principle.

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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

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

Income and Excise Taxes, Continued

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 2019 and 2018.

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.

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.

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 2018

The financial information as of December 31, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete combined financial statement presentation.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

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 redemption.

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

	2019	2018
Cash and cash equivalents	\$ 6,075,026	\$ 4,882,152
Grants and accounts receivable	24,000	492,953
Marketable securities	25,143,682	25,451,538
Alternative investments	22,191,554	18,866,371
Total financial assets	53,434,262	49,693,014
Less amounts not available for general expenditure		
Board designated	-	(194,070)
With donor restrictions	(3,968,093)	(4,868,446)
Investments with limited liquidity	(22,191,554)	(18,866,371)
Financial assets available for general expenditure	\$ 27,274,615	\$ 25,764,127

See Note 7 for information about the Foundation's line of credit.

3. GRANTS RECEIVABLE AND OTHER ASSETS

Grants receivable and other assets are unsecured and consist of the following at December 31, 2019 and 2018:

	2019	2018
Grants receivable within one year	\$ 24,000	\$ 176,000
Investment proceeds receivable	-	315,651
Accounts receivable and other assets	103,856	115,305
Total grants receivable and other assets	\$ 127,856	\$ 606,956

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

4. 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:

	2019	2018
Cash equivalents	\$ 228,646	\$ 132,218
Marketable securities:		
Fixed income securities	7,923,569	6,777,929
Domestic equities	7,075,223	7,926,294
International equities	9,916,244	10,615,097
Total marketable securities	24,915,036	25,319,320
Alternative investment interests:		
Hedge funds	6,343,321	5,995,027
Private equities	14,478,307	11,190,588
Real estate funds	1,369,926	1,680,756
Total alternative investment interests	22,191,554	18,866,371
Real estate LLC (Note 5)	4,199,573	4,383,904
Real estate (Note 5)	862,163	868,212
Total investments	\$ 52,396,972	\$49,570,025

Commitments for alternative investment interests not yet funded approximate \$8,900,000 at December 31, 2019.

5. 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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

5. INVESTMENT IN REAL ESTATE LLC AND OTHER REAL ESTATE, Continued

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

	<u>2019</u>	<u>2018</u>
Assets:		
Cash	\$ 84,314	\$ 85,327
Prepaid expenses and other assets	45,995	55,271
Land, building and improvements, net of accumulated depreciation of \$1,994,990 and \$1,796,098 for 2019 and 2018, respectively	<u>4,069,264</u>	<u>4,243,306</u>
Total assets	4,199,573	4,383,904
Total liabilities	<u>-</u>	<u>-</u>
Net equity	<u>\$ 4,199,573</u>	<u>\$ 4,383,904</u>
Income:		
Rent, including combined rent from the Foundation and Fund II of \$199,860 and \$206,918 for 2019 and 2018, respectively	\$ 709,090	\$ 706,461
Interest income	<u>572</u>	<u>765</u>
Total income	709,662	707,226
Operating expenses	<u>693,993</u>	<u>691,768</u>
Net income	<u>\$ 15,669</u>	<u>\$ 15,458</u>
Member distributions during the year	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>

In 2017, the Foundation purchased a building for investment purposes. At December 31, 2019 and 2018, the net cost of the building totaled \$862,163 and \$868,212 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. The building was sold January 2020 (see Note 15).

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Office furniture and equipment	\$ 605,901	\$ 595,312
Less accumulated depreciation	<u>555,865</u>	<u>533,942</u>
Net property and equipment	<u>\$ 50,036</u>	<u>\$ 61,370</u>

Depreciation expense was \$19,621 and \$28,820 for the years ended December 31, 2019 and 2018, 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% (3.01% at December 31, 2019 and 3.60% at December 31, 2018). The line matures in September 2020 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, 2019 and 2018.

8. GRANTS PAYABLE

Grants payable represent unconditional promises to give as follows at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Payable within one year	\$ 2,213,972	\$ 1,286,224
Payable within two to five years	<u>218,768</u>	<u>125,000</u>
Total grants payable	<u>\$ 2,432,740</u>	<u>\$ 1,411,224</u>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

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

Board Designated

There were no board designated net assets at December 31, 2019. The Board of Directors of the Foundation designated \$194,070 at December 31, 2018 for the Health and Education initiative.

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Kaiser Permanente Community Fund	\$ 278,746	\$ 456,268
Kaiser Permanente Center for Health Research Endowed Scientist Fund	1,884,466	1,488,711
Economic Opportunities Fund	415,066	425,396
Health and Education Fund	271,665	1,166,024
Oregon Active Schools	-	123,525
CareOregon Hospital Transformation	956,846	1,042,710
Other	<u>161,304</u>	<u>165,812</u>
Total net assets with donor restrictions	<u>\$ 3,968,093</u>	<u>\$4,868,446</u>

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 2019 and 2018, plus up to an additional 5% employer match dependent on employee contributions. The contributions to the profit sharing plan totaled approximately \$90,200 and \$115,500 for the years ended December 31, 2019 and 2018, respectively.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

II. 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 current monthly rent of \$16,096 (see Note 5).

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, 2020	\$ 337,400
2021	236,800
2022	209,700
2023	<u>73,300</u>
	<u>\$ 857,200</u>

12. RELATED PARTY TRANSACTIONS

The Foundation and Fund II committed grants to organizations with board members who are trustees and officers of the Foundation and Fund II totaling \$78,500 and \$406,000 during 2019 and 2018, respectively. There were no grants payable to these organizations at December 31, 2019 and \$167,000 payable at December 31, 2018.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

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 \$2,027,000 and \$2,011,000 at December 31, 2019 and 2018, 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 98% of total contribution revenue received from four sources in 2019 and 65% received from four sources in 2018.

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.

Net Asset Value: 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, 2019

14. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	<u>Total</u>	<u>Level 1</u>
<u>December 31, 2019</u>		
Investments - Marketable securities:		
Fixed income securities	\$ 7,923,569	\$ 7,923,569
Domestic equities	7,075,223	7,075,223
International equities	<u>9,916,244</u>	<u>9,916,244</u>
Total	24,915,036	<u>\$ 24,915,036</u>
Investments measures at NAV	<u>22,191,554</u>	
Total investments	<u>\$ 47,106,590</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>	

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, 2019 and 2018.

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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2019

14. FAIR VALUE MEASUREMENTS, Continued

Investments Measured at Net Asset Value (NAV), Continued

There were no changes in the valuation techniques during the years ended December 31, 2019 and 2018.

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.

15. SUBSEQUENT EVENTS

The Foundation and Fund II have evaluated all subsequent events through May 27, 2020, the date the combined financial statements were available to be issued.

Subsequent to year-end, the Foundation sold its interest in an investment building described in Note 5 for approximately \$965,000.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity. The Foundation's financial statements do not include adjustments to fair value that have resulted from these declines.

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, 2019, and our report thereon dated May 27, 2020, which contained an unmodified opinion on those combined financial statements, appears on page 2. Our audit was 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 27, 2020

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
SUPPLEMENTARY INFORMATION - SCHEDULE I
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2019

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 2,615,625	\$ 3,459,401	\$ -	\$ 6,075,026
Grants receivable and other assets	98,006	29,850	-	127,856
Intercompany receivable	405,841	-	(405,841)	-
Investments	50,200,847	2,196,125	-	52,396,972
Net property and equipment	<u>50,036</u>	<u>-</u>	<u>-</u>	<u>50,036</u>
TOTAL ASSETS	<u>\$ 53,370,355</u>	<u>\$ 5,685,376</u>	<u>\$ (405,841)</u>	<u>\$ 58,649,890</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 51,502	\$ 7,500	\$ -	\$ 59,002
Grants payable	1,595,000	837,740	-	2,432,740
Intercompany payable	<u>-</u>	<u>405,841</u>	<u>(405,841)</u>	<u>-</u>
Total liabilities	<u>1,646,502</u>	<u>1,251,081</u>	<u>(405,841)</u>	<u>2,491,742</u>
Net assets:				
Without donor restrictions	51,723,853	466,202	-	52,190,055
With donor restrictions	<u>-</u>	<u>3,968,093</u>	<u>-</u>	<u>3,968,093</u>
Total net assets	<u>51,723,853</u>	<u>4,434,295</u>	<u>-</u>	<u>56,158,148</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,370,355</u>	<u>\$ 5,685,376</u>	<u>\$ (405,841)</u>	<u>\$ 58,649,890</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, 2019

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
Investment income:				
Interest and dividend income, net of fees	\$ 354,183	\$ 111,043	\$ -	\$ 465,226
Change in value of investments	5,597,607	386,942	-	5,984,549
Net income from real estate LLC	15,669	-	-	15,669
Investment income, net of fees	5,967,459	497,985	-	6,465,444
Less investment expenses:				
Investment administrative expenses	125,643	24,995	-	150,638
Net investment income	5,841,816	472,990	-	6,314,806
Other revenue:				
Contributions and grants	500,000	931,085	-	1,431,085
Administrative fees	-	111,871	-	111,871
Total other revenue	500,000	1,042,956	-	1,542,956
Total revenue, net of investment loss	6,341,816	1,515,946	-	7,857,762
Expenses:				
Program expenses:				
Healthy Beginnings Healthy Communities	555,091	476,744	-	1,031,835
Health and Education Fund	800,000	1,302,175	-	2,102,175
Civic Health Fund	772,218	-	-	772,218
Kaiser Permanente Community Fund	-	179,591	-	179,591
CareOregon Fund	-	144,800	-	144,800
Other programs	54,754	25,897	-	80,651
Program administrative expenses	312,646	190,200	-	502,846
Total program expenses	2,494,709	2,319,407	-	4,814,116
General and administrative expenses	372,800	118,401	-	491,201
Total expenses	2,867,509	2,437,808	-	5,305,317
Change in net assets	3,474,307	(921,862)	-	2,552,445
Net assets - beginning of year	48,249,546	5,356,157	-	53,605,703
Net assets - end of year	\$ 51,723,853	\$ 4,434,295	\$ -	\$ 56,158,148

See independent auditor's report on supplementary information.