

NORTHWEST HEALTH
FOUNDATION and NORTHWEST HEALTH
FOUNDATION FUND II

Combined Audited Financial Statements

For the Year Ended
December 31, 2020



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, 2020, 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, 2020, 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 2019 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

McDonald Jacoby, P.C.

Portland, Oregon
May 26, 2021

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2020
(With comparative totals for 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 6,264,926	\$ 6,075,026
Grants receivable and other assets (Note 3)	514,864	127,856
Investments (Note 4)	59,981,091	52,396,972
Net property and equipment (Note 6)	54,492	50,036
TOTAL ASSETS	\$ 66,815,373	\$ 58,649,890
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 139,248	\$ 59,002
Grants payable (Note 8)	1,994,364	2,432,740
Total liabilities	2,133,612	2,491,742
Net assets:		
Without donor restrictions	60,377,945	52,190,055
With donor restrictions (Note 9)	4,303,816	3,968,093
Total net assets	64,681,761	56,158,148
TOTAL LIABILITIES AND NET ASSETS	\$ 66,815,373	\$ 58,649,890

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, 2020

(With comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue:				
Investment income:				
Interest and dividend income, net	\$ 367,248	\$ -	\$ 367,248	\$ 465,226
Change in value of investments	9,251,797	-	9,251,797	5,984,549
Net income from real estate LLC (Note 5)	93,665	-	93,665	15,669
Investment income, net of fees	9,712,710	-	9,712,710	6,465,444
Less investment expenses:				
Investment administrative expenses	142,447	-	142,447	150,638
Net investment income	9,570,263	-	9,570,263	6,314,806
Support and other revenue:				
Contributions and grants	985,001	2,233,890	3,218,891	1,431,085
Administrative fees and other revenue	44,028	-	44,028	111,871
Net assets released from restrictions:				
Satisfaction of purpose restrictions	1,898,167	(1,898,167)	-	-
Total support and other revenue	2,927,196	335,723	3,262,919	1,542,956
Total revenue	12,497,459	335,723	12,833,182	7,857,762
Expenses:				
Program expenses:				
Civic Health Fund/Public Health				
Infrastructure	2,283,745	-	2,283,745	772,218
Healthy Beginnings Healthy Communities	421,390	-	421,390	1,031,835
Health and Education Fund	252,348	-	252,348	2,102,175
Other programs	852,569	-	852,569	907,888
Total program expenses	3,810,052	-	3,810,052	4,814,116
General and administrative expenses	499,517	-	499,517	491,201
Total expenses	4,309,569	-	4,309,569	5,305,317
Change in net assets	8,187,890	335,723	8,523,613	2,552,445
Net assets - beginning of year	52,190,055	3,968,093	56,158,148	53,605,703
Net assets - end of year	<u>\$ 60,377,945</u>	<u>\$ 4,303,816</u>	<u>\$ 64,681,761</u>	<u>\$ 56,158,148</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, 2020

(With comparative totals for 2019)

	2020					2019		
	Civic Health Fund/ Health Infrastructure	Healthy Beginnings and Healthy Communities	Health and Education Fund	Other Programs	Total Program	General and Administrative	Total	Total
Grants, net of returned funds	\$ 1,842,669	\$ 342,140	\$ 98,450	\$ 453,774	\$ 2,737,033	\$ -	\$ 2,737,033	\$ 3,515,235
Salaries and related expenses	134,068	52,467	27,042	225,358	438,935	285,389	724,324	962,273
Professional fees	10,510	-	-	-	10,510	92,097	102,607	170,203
Consulting	108,500	-	61,987	24,163	194,650	174,044	368,694	247,442
Service fees	-	-	4,076	39,952	44,028	-	44,028	111,871
Lobbying and public relations	140,963	6,963	-	6,962	154,888	485	155,373	61,509
Meeting and travel expenses	9,043	957	190	9,027	19,217	11,955	31,172	129,653
Equipment and maintenance	-	-	5,570	9,663	15,233	25,619	40,852	32,095
Rent	-	-	-	-	-	135,952	135,952	150,265
Subscriptions and dues	-	-	-	9,499	9,499	7,414	16,913	16,086
Other operating costs	4,684	-	45,500	1,247	51,431	29,102	80,533	39,702
Depreciation and amortization	-	-	-	-	-	14,535	14,535	19,621
	<u>2,250,437</u>	<u>402,527</u>	<u>242,815</u>	<u>779,645</u>	<u>3,675,424</u>	<u>776,592</u>	<u>4,452,016</u>	<u>5,455,955</u>
Allocation of shared costs	<u>33,308</u>	<u>18,863</u>	<u>9,533</u>	<u>72,924</u>	<u>134,628</u>	<u>(134,628)</u>	<u>-</u>	<u>-</u>
	<u>2,283,745</u>	<u>421,390</u>	<u>252,348</u>	<u>852,569</u>	<u>3,810,052</u>	<u>641,964</u>	<u>4,452,016</u>	<u>5,455,955</u>
Less investment administrative expenses netted with revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,447)</u>	<u>(142,447)</u>	<u>(150,638)</u>
Total expenses	<u>\$ 2,283,745</u>	<u>\$ 421,390</u>	<u>\$ 252,348</u>	<u>\$ 852,569</u>	<u>\$ 3,810,052</u>	<u>\$ 499,517</u>	<u>\$ 4,309,569</u>	<u>\$ 5,305,317</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, 2020

(With comparative totals for 2019)

	2020	2019
Cash flows from investing activities:		
Net investment income	\$ 9,570,263	\$ 6,314,806
Adjustments to reconcile change in net investment income to net cash flows from investing activities:		
Additions to property and equipment	(18,991)	(8,287)
Change in value of investments	(9,251,797)	(5,984,549)
Investments:		
Net change in short-term investments	91,214	310,212
Purchase of investments	(9,965,336)	(8,944,098)
Proceeds from the sale of investments	11,635,465	11,607,157
Net cash flows from investment in Philanthropy Center	<u>(93,665)</u>	<u>184,331</u>
Net cash flows from investing activities	<u>1,967,153</u>	<u>3,479,572</u>
 Cash flows from program activities:		
Contributions and other receipts	2,875,911	2,022,056
Grant payments and program funding	(4,248,428)	(3,289,754)
Payments for administrative costs	<u>(404,736)</u>	<u>(1,019,000)</u>
Net cash flows from program activities	<u>(1,777,253)</u>	<u>(2,286,698)</u>
 Net change in cash and equivalents	189,900	1,192,874
 Cash and cash equivalents - beginning of year	<u>6,075,026</u>	<u>4,882,152</u>
 Cash and cash equivalents - end of year	<u>\$ 6,264,926</u>	<u>\$ 6,075,026</u>

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2020

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 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, 2020

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 are 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 \$44,000 and \$111,900 in 2020 and 2019, respectively. There were no related accounts receivable (contract assets) or deferred revenue (contract liabilities) related to administrative fees at December 31, 2020 or 2019.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

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 combined statement of activities and in the combined 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 \$15,300 and \$24,000 for the years ended December 31, 2020 and December 31, 2019, respectively.

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 2020 and 2019.

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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

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

Summarized Financial Information for 2019

The financial information as of December 31, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete combined financial statement presentation.

Subsequent Events

The Foundation and Fund II have evaluated all subsequent events through May 26, 2021, the date the combined financial statements were available to be issued.

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 December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,264,926	\$ 6,075,026
Grants and accounts receivable	492,352	27,541
Marketable securities	33,654,360	25,143,682
Alternative investments	<u>22,033,493</u>	<u>22,191,554</u>
Total financial assets	62,445,131	53,437,803
Less amounts not available for general expenditure:		
With donor restrictions	(4,303,816)	(3,968,093)
Investments with limited liquidity	<u>(22,033,493)</u>	<u>(22,191,554)</u>
Financial assets available for general expenditure	<u>\$ 36,107,822</u>	<u>\$ 27,278,156</u>

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, 2020

3. GRANTS RECEIVABLE AND OTHER ASSETS

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

	<u>2020</u>	<u>2019</u>
Grants receivable within one year	\$ 137,000	\$ 24,000
Investment proceeds receivable	328,641	-
Accounts receivable and other assets	<u>49,223</u>	<u>103,857</u>
Total grants receivable and other assets	<u>\$ 514,864</u>	<u>\$ 127,857</u>

4. INVESTMENTS

All funds not required for operations are placed with investment managers. The investment portfolios at year end 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>2020</u>	<u>2019</u>
Cash equivalents	\$ 945,196	\$ 228,646
Marketable securities:		
Fixed income securities	8,471,441	7,923,569
Domestic equities	11,803,730	7,075,223
International equities	<u>12,433,993</u>	<u>9,916,244</u>
Total marketable securities	<u>32,709,164</u>	<u>24,915,036</u>
Alternative investment interests:		
Hedge funds	6,668,849	6,343,321
Private equities	14,289,753	14,478,307
Real estate funds	<u>1,074,891</u>	<u>1,369,926</u>
Total alternative investment interests	<u>22,033,493</u>	<u>22,191,554</u>
Real estate LLC (Note 5)	4,293,238	4,199,573
Real estate (Note 5)	<u>-</u>	<u>862,163</u>
Total investments	<u>\$ 59,981,091</u>	<u>\$ 52,396,972</u>

Commitments for alternative investment interests not yet funded approximate \$7,900,000 at December 31, 2020. Subsequent to year-end, the Foundation received information that one of its alternative investments increased in value by approximately \$718,500 during the fourth quarter of 2020. This change in estimate is not reflected in the investments at December 31, 2020.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

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.

The following is information regarding the financial position and activities of the LLC as of and for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Assets:		
Cash	\$ 266,776	\$ 84,314
Prepaid expenses and other assets	63,111	45,995
Land, building and improvements, net of accumulated depreciation of \$2,115,503 and \$1,994,990 for 2020 and 2019, respectively	<u>3,972,443</u>	<u>4,069,264</u>
Total assets	4,302,330	4,199,573
Total liabilities	<u>9,092</u>	<u>-</u>
Net equity	<u>\$ 4,293,238</u>	<u>\$ 4,199,573</u>
Income:		
Rent, including combined rent from the Foundation and Fund II of \$199,860 for each of 2020 and 2019	\$ 679,027	\$ 709,090
Interest income	<u>732</u>	<u>572</u>
Total income	679,759	709,662
Operating expenses	<u>586,094</u>	<u>693,993</u>
Net income	<u>\$ 93,665</u>	<u>\$ 15,669</u>
Member distributions during the year	<u>\$ -</u>	<u>\$ (200,000)</u>

In 2017, the Foundation purchased a building for investment purposes. 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 in January 2020 for approximately \$965,000. The net cost of the building prior to sale totaled \$868,212, which includes the purchase price and all other costs associated with the acquisition and improvements, net of accumulated depreciation. The net cost is included in investments on the combined statement of financial position at December 31, 2019.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Office furniture and equipment	\$ 596,630	\$ 605,901
Less accumulated depreciation	<u>542,138</u>	<u>555,865</u>
Net property and equipment	<u>\$ 54,492</u>	<u>\$ 50,036</u>

Depreciation expense was \$14,534 and \$19,621 for the years ended December 31, 2020 and 2019, 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% (1.40% at December 31, 2020 and 3.01% at December 31, 2019). The line matures in September 2021 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, 2020 or 2019.

8. GRANTS PAYABLE

Grants payable represent unconditional promises to give as follows at December 31:

	<u>2020</u>	<u>2019</u>
Payable within one year	\$ 1,145,364	\$ 2,213,972
Payable within two to five years	<u>849,000</u>	<u>218,768</u>
Total grants payable	<u>\$ 1,994,364</u>	<u>\$ 2,432,740</u>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

9. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

Net assets with expiring donor restrictions consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Kaiser Permanente Community Fund	\$ 257,570	\$ 278,746
Kaiser Permanente Center for Health Research Endowed Scientist Fund	1,953,092	1,884,466
CareOregon Hospital Transformation	815,594	956,846
Civic Health Fund	334,186	-
Southwest Washington Social Justice Fund	500,000	-
Reimagine Safety Fund	205,005	-
Health and Education Fund	111,476	271,665
Economic Opportunities Fund	-	415,066
Other	<u>126,893</u>	<u>161,304</u>
Total net assets with donor restrictions	<u>\$ 4,303,816</u>	<u>\$ 3,968,093</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 2020 and 2019, plus up to an additional 5% employer match dependent on employee contributions. The contributions to the profit sharing plan totaled approximately \$68,100 and \$98,300 for the years ended December 31, 2020 and 2019, respectively.

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). Interorganization lease commitments total approximately \$193,200 for each 2021 and 2022 and \$32,000 for 2023

The LLC leases office space in the building to other unrelated organizations. Lease terms generally range from one to five years.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

II. LEASE COMMITMENTS

Minimum future lease income under noncancelable leases for the LLC are as follows:

Years ending December 31, 2021	\$ 339,700
2022	289,200
2023	133,900
2024	55,400
2025	55,400
Thereafter	55,400
	<u>\$ 929,000</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 \$275,500 and \$78,500 during 2020 and 2019, respectively.

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 \$2,130,000 and \$2,027,000 at December 31, 2020 and 2019, 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 76% of total contribution revenue received from three sources in 2020 and 98% received from four sources in 2019.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

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 described above.

Fair values of assets measured on a recurring basis are as follows:

	<u>Total</u>	<u>Level 1</u>
<u>December 31, 2020</u>		
Money market accounts	\$ 3,149,665	\$ 3,149,665
Fixed income securities	8,471,441	8,471,441
Domestic equities	11,803,730	11,803,730
International equities	<u>12,433,993</u>	<u>12,433,993</u>
Total assets measured at fair value	35,858,829	35,858,829
Investments measured at NAV	<u>22,033,493</u>	
Total	<u>\$ 57,892,322</u>	
 <u>December 31, 2019</u>		
Money market accounts	\$ 1,838,573	\$ 1,838,573
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 assets measured at fair value	24,915,036	<u>\$ 24,915,036</u>
Investments measured at NAV	<u>22,191,554</u>	
Total	<u>\$ 47,106,590</u>	

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2020

14. 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.

Investments Measured at Net Asset Value (NAV)

Quoted market prices are not available for limited partnership interests (alternative investments). These 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, 2020 and 2019.

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.

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.

There were no changes in the valuation techniques during the years ended December 31, 2020 and 2019.

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, 2020, and our report thereon dated May 26, 2021, 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 26, 2021

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
SUPPLEMENTARY INFORMATION - SCHEDULE I
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2020

	<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	\$ 2,995,833	\$ 3,269,093	\$ -	\$ 6,264,926
Grants receivable and other assets	374,674	140,190	-	514,864
Intercompany receivable	141,771	-	(141,771)	-
Investments	57,400,443	2,580,648	-	59,981,091
Net property and equipment	<u>54,492</u>	<u>-</u>	<u>-</u>	<u>54,492</u>
TOTAL ASSETS	<u><u>\$ 60,967,213</u></u>	<u><u>\$ 5,989,931</u></u>	<u><u>\$ (141,771)</u></u>	<u><u>\$ 66,815,373</u></u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 123,616	\$ 15,632	\$ -	\$ 139,248
Grants payable	1,215,500	778,864	-	1,994,364
Intercompany payable	<u>-</u>	<u>141,771</u>	<u>(141,771)</u>	<u>-</u>
Total liabilities	<u>1,339,116</u>	<u>936,267</u>	<u>(141,771)</u>	<u>2,133,612</u>
Net assets:				
Without donor restrictions	59,128,097	1,249,848	-	60,377,945
With donor restrictions	<u>500,000</u>	<u>3,803,816</u>	<u>-</u>	<u>4,303,816</u>
Total net assets	<u>59,628,097</u>	<u>5,053,664</u>	<u>-</u>	<u>64,681,761</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 60,967,213</u></u>	<u><u>\$ 5,989,931</u></u>	<u><u>\$ (141,771)</u></u>	<u><u>\$ 66,815,373</u></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, 2020

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
Investment income:				
Interest and dividend income, net of fees	\$ 317,200	\$ 50,048	\$ -	\$ 367,248
Change in value of investments	8,994,523	257,274	-	9,251,797
Net income from real estate LLC	93,665	-	-	93,665
Investment income, net of fees	9,405,388	307,322	-	9,712,710
Less investment expenses:				
Investment administrative expenses	122,794	19,653	-	142,447
Net investment income	9,282,594	287,669	-	9,570,263
Other revenue:				
Contributions and grants	1,000,000	2,218,891	-	3,218,891
Administrative fees	-	44,028	-	44,028
Total other revenue	1,000,000	2,262,919	-	3,262,919
Total revenue, net of investment loss	10,282,594	2,550,588	-	12,833,182
Expenses:				
Program expenses:				
Civic Health Fund/Public Health				
Infrastructure	1,768,713	515,032	-	2,283,745
Healthy Beginnings Healthy Communities	79,250	342,140	-	421,390
Health and Education Fund	91,500	160,848	-	252,348
Other programs	59,705	792,864	-	852,569
Total program expenses	1,999,168	1,810,884	-	3,810,052
General and administrative expenses	379,182	120,335	-	499,517
Total expenses	2,378,350	1,931,219	-	4,309,569
Change in net assets	7,904,244	619,369	-	8,523,613
Net assets - beginning of year	51,723,853	4,434,295	-	56,158,148
Net assets - end of year	\$ 59,628,097	\$ 5,053,664	\$ -	\$ 64,681,761

See independent auditor's report on supplementary information.