

NORTHWEST HEALTH FOUNDATION
and
NORTHWEST HEALTH FOUNDATION FUND II
Combined Audited Financial Statements
For the Year Ended
December 31, 2021



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, 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.

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, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Northwest Health Foundation and Northwest Health Foundation Fund II and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Health Foundation and Northwest Health Foundation Fund II's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northwest Health Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Health Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Northwest Health Foundation's 2020 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 25, 2022

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 5,185,627	\$ 6,264,926
Grants receivable and other assets (Note 3)	1,219,137	514,864
Investments (Note 4)	67,889,045	59,981,091
Net property and equipment (Note 6)	40,944	54,492
 TOTAL ASSETS	 \$ 74,334,753	 \$ 66,815,373
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 185,716	\$ 139,248
Grants payable (Note 8)	867,125	1,994,364
Deferred revenue	200,000	-
Total liabilities	1,252,841	2,133,612
Net assets:		
Without donor restrictions	67,788,464	60,377,945
With donor restrictions (Note 9)	5,293,448	4,303,816
Total net assets	73,081,912	64,681,761
 TOTAL LIABILITIES AND NET ASSETS	 \$ 74,334,753	 \$ 66,815,373

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, 2021

(With comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue:				
Investment income:				
Interest and dividend income	\$ 518,041	\$ -	\$ 518,041	\$ 367,248
Change in value of investments	9,326,245	-	9,326,245	9,251,797
Net income (loss) from real estate LLC (Note 5)	(36,168)	-	(36,168)	93,665
Investment income, net of fees	9,808,118	-	9,808,118	9,712,710
Less investment expenses:				
Investment administrative expenses	146,965	-	146,965	142,447
Net investment income	9,661,153	-	9,661,153	9,570,263
Support and other revenue:				
Contributions and grants	599,328	1,374,874	1,974,202	3,218,891
Administrative fees and other revenue	26,509	-	26,509	44,028
Net assets released from restrictions:				
Satisfaction of purpose restrictions	385,242	(385,242)	-	-
Total support and other revenue	1,011,079	989,632	2,000,711	3,262,919
Total revenue, net	10,672,232	989,632	11,661,864	12,833,182
Expenses:				
Program expenses:				
Civic Health Fund	1,340,352	-	1,340,352	2,283,745
Healthy Beginnings Healthy Communities	-	-	-	421,390
Health and Education Fund	174,256	-	174,256	252,348
Other programs	1,372,860	-	1,372,860	852,569
Total program expenses	2,887,468	-	2,887,468	3,810,052
General and administrative expenses	374,245	-	374,245	499,517
Total expenses	3,261,713	-	3,261,713	4,309,569
Change in net assets	7,410,519	989,632	8,400,151	8,523,613
Net assets - beginning of year	60,377,945	4,303,816	64,681,761	56,158,148
Net assets - end of year	\$ 67,788,464	\$ 5,293,448	\$ 73,081,912	\$ 64,681,761

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, 2021

(With comparative totals for 2020)

	2021					2020	
	Civic Health Fund	Health and Education Fund	Other Programs	Total Program	General and Administrative	Total	Total
Grants, net of returned funds	\$ 370,980	\$ 105,650	\$ 599,699	\$ 1,076,329	\$ -	\$ 1,076,329	\$ 2,737,033
Grantee technical assistance	528,976	-	307,500	836,476	-	836,476	-
Salaries and related expenses	241,045	22,698	305,692	569,435	234,585	804,020	724,324
Professional fees	14,005	361	-	14,366	43,176	57,542	102,607
Consulting	24,024	36,114	16,344	76,482	168,477	244,959	368,694
Service fees	-	1,672	24,837	26,509	-	26,509	44,028
Lobbying and public relations	75,392	-	4,884	80,276	100	80,376	155,373
Meeting and travel expenses	10,737	1,220	3,896	15,853	15,850	31,703	31,172
Equipment and maintenance	-	-	12,029	12,029	23,172	35,201	40,852
Rent	-	-	-	-	137,183	137,183	135,952
Subscriptions and dues	15,000	-	11,000	26,000	3,355	29,355	16,913
Other operating costs	10,422	105	7,765	18,292	14,496	32,788	80,533
Depreciation and amortization	-	-	-	-	16,237	16,237	14,535
	1,290,581	167,820	1,293,646	2,752,047	656,631	3,408,678	4,452,016
Allocation of shared costs	49,771	6,436	79,214	135,421	(135,421)	-	-
	1,340,352	174,256	1,372,860	2,887,468	521,210	3,408,678	4,452,016
Less investment administrative expenses netted with revenue	-	-	-	-	(146,965)	(146,965)	(142,447)
Total expenses	<u>\$ 1,340,352</u>	<u>\$ 174,256</u>	<u>\$ 1,372,860</u>	<u>\$ 2,887,468</u>	<u>\$ 374,245</u>	<u>\$ 3,261,713</u>	<u>\$ 4,309,569</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, 2021

(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from investing activities:		
Net investment income	\$ 9,661,153	\$ 9,570,263
Adjustments to reconcile change in net investment income to net cash flows from investing activities:		
Additions to property and equipment	(2,689)	(18,991)
Change in value of investments	(9,326,245)	(9,251,797)
Investments:		
Net change in short-term investments	(299,899)	91,214
Purchase of investments	(11,998,944)	(9,965,336)
Proceeds from the sale of investments	13,680,966	11,635,465
Net cash flows from investment in Philanthropy Center	<u>36,168</u>	<u>(93,665)</u>
Net cash flows from investing activities	<u>1,750,510</u>	<u>1,967,153</u>
 Cash flows from program activities:		
Contributions and other receipts	1,496,438	2,875,911
Grant payments and program funding	(4,014,707)	(4,248,428)
Payments for administrative costs	<u>(311,540)</u>	<u>(404,736)</u>
Net cash flows from program activities	<u>(2,829,809)</u>	<u>(1,777,253)</u>
 Net change in cash and equivalents	(1,079,299)	189,900
 Cash and cash equivalents - beginning of year	<u>6,264,926</u>	<u>6,075,026</u>
 Cash and cash equivalents - end of year	<u>\$ 5,185,627</u>	<u>\$ 6,264,926</u>

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2021

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 net 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, 2021

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

Grants Receivable

Grants receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

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. Investments in the building and improvements are stated at depreciated cost by the LLC (see Note 5).

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. Any discount on long-term grants payable is immaterial.

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.

Government grants are conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Foundation has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the combined statement of financial position. Deferred revenue at December 31, 2021 and 2020 totaled \$200,000.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

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

Revenue Recognition, Continued

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 \$26,500 and \$44,000 in 2021 and 2020, respectively. There were no related accounts receivable (contract assets) or deferred revenue (contract liabilities) related to administrative fees at December 31, 2021 or 2020.

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, and other costs which are allocated based upon the nature of the expenses and estimated time and effort. Certain indirect costs including rent, equipment, and 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 the Foundation and Fund II is driven by the donors who have sought out Fund II as an organization that makes grants. Fundraising costs are insignificant.

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 combined financial statements for 2021 and 2020.

The Foundation and Fund II follow the provisions of FASB ASC Topic 740 *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 combined 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, 2021

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.

Summarized Financial Information for 2020

The financial information as of December 31, 2020 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 25, 2022, the date the combined financial statements were available to be issued.

Future Accounting Standard

Effective for financial statements for the year ending December 31, 2022, the Foundation and Fund II expect to adopt a new accounting standard issued by the Financial Accounting Standards Board (FASB) that will require significant changes in accounting for operating leases under which the Foundation is lessee and Fund II is a lessor. Upon adoption, among other effects, the Foundation and Fund II will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes may require certain retrospective adjustments. The qualitative effects on the Foundation and Fund II's future financial statements of these changes and related retrospective adjustments have not yet been determined.

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 combined financial assets with donor or other restrictions limiting their use, and also exclude alternative and real estate investments, which have restrictions limiting their redemption.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Foundation and Fund II consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,185,627	\$ 6,264,926
Grants and accounts receivable	1,217,137	492,352
Marketable securities and money market funds	37,343,457	33,654,360
Alternative investments	<u>26,288,518</u>	<u>22,033,493</u>
Total financial assets	70,034,739	62,445,131
Less amounts not available for general expenditure:		
With donor restrictions	(5,293,448)	(4,303,816)
Investments with limited liquidity	<u>(26,288,518)</u>	<u>(22,033,493)</u>
Financial assets available for general expenditure	<u>\$ 38,452,773</u>	<u>\$ 36,107,822</u>

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:

	<u>2021</u>	<u>2020</u>
Grants receivable within one year	\$ 893,000	\$ 137,000
Investment proceeds receivable	279,689	328,641
Accounts receivable and other assets	<u>46,448</u>	<u>49,223</u>
Total grants receivable and other assets	<u>\$ 1,219,137</u>	<u>\$ 514,864</u>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

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>2021</u>	<u>2020</u>
Money market funds	\$ 1,362,552	\$ 945,196
Marketable securities:		
Fixed income securities	10,408,117	8,471,441
Domestic equities	11,248,001	11,803,730
International equities	<u>14,324,787</u>	<u>12,433,993</u>
Total marketable securities	<u>35,980,905</u>	<u>32,709,164</u>
Alternative investments:		
Hedge funds	3,865,876	6,668,849
Private equities	19,721,221	14,289,753
Real estate funds	<u>2,701,421</u>	<u>1,074,891</u>
Total alternative investments	<u>26,288,518</u>	<u>22,033,493</u>
Real estate LLC (Note 5)	<u>4,257,070</u>	<u>4,293,238</u>
Total investments	<u>\$ 67,889,045</u>	<u>\$ 59,981,091</u>

Commitments for alternative investment interests not yet funded approximate \$8.2 million at December 31, 2021. Subsequent to year-end, the Foundation received information that one of its alternative investments increased in value by approximately \$4,400,000; however, the increase in value relates to transactions that were not complete by December 31, 2021. The change in value will be recorded in 2022 or when the valuation change is supported by completed transactions.

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, 2021

5. INVESTMENT IN REAL ESTATE LLC AND OTHER REAL ESTATE

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

	2021	2020
Assets:		
Cash	\$ 324,073	\$ 266,776
Prepaid expenses and other assets	70,408	63,111
Land, building and improvements, net of accumulated depreciation of \$1,618,138 and \$2,115,503 for 2021 and 2020, respectively	3,875,191	3,972,443
Total assets	4,269,672	4,302,330
Total liabilities	(12,602)	(9,092)
Net equity	\$ 4,257,070	\$ 4,293,238
Income:		
Rent, including combined rent from the Foundation and Fund II of \$199,860 for each of 2020 and 2019	\$ 590,086	\$ 679,027
Interest income	1,032	732
Total income	591,118	679,759
Operating expenses	627,286	586,094
Net income	\$ (36,168)	\$ 93,665
Member distributions during the year	\$ -	\$ -

Rent revenue is recognized at the time services are provided. There were no advances on rent at December 31, 2021 or 2020.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2021	2020
Office furniture and equipment	\$ 523,750	\$ 596,630
Less accumulated depreciation	482,806	542,138
Net property and equipment	\$ 40,944	\$ 54,492

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

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% (1.34% at December 31, 2021 and 1.40% at December 31, 2020). The line matures in September 2022 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, 2021 or 2020.

8. GRANTS PAYABLE

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

	<u>2021</u>	<u>2020</u>
Payable within one year	\$ 867,125	\$ 1,145,364
Payable within two to five years	<u>-</u>	<u>849,000</u>
Total grants payable	<u>\$ 867,125</u>	<u>\$ 1,994,364</u>

Conditional grants which are contingent on performance requirements become payable when the conditions have been met. There were no conditional grants at December 31, 2021 and 2020.

9. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Kaiser Permanente Community Fund	\$ 253,727	\$ 257,570
Kaiser Permanente Center for Health Research Endowed Scientist Fund	2,092,339	1,953,092
CareOregon Fund	810,879	815,594
Civic Health Fund	1,190,647	334,186
Southwest Washington Racial Justice Fund	500,000	500,000
Reimagine Safety Fund	255,029	205,005
Health and Education Fund	-	111,476
Other	<u>190,827</u>	<u>126,893</u>
Total net assets with donor restrictions	<u>\$ 5,293,448</u>	<u>\$ 4,303,816</u>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

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 2021 and 2020, plus up to an additional 5% employer match dependent on employee contributions. The contributions to the profit sharing plan totaled approximately \$83,200 and \$68,100 for the years ended December 31, 2021 and 2020, respectively.

11. LEASE COMMITMENTS

The Foundation and Fund II lease office space under a lease agreement through February 2025 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 \$16,397 (see Note 5). Inter-organization lease commitments are as follows:

Years ending December 31, 2022	\$ 201,200
2023	207,200
2024	213,400
2025	<u>53,800</u>
	<u>\$ 675,600</u>

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

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

Years ending December 31, 2022	\$ 316,000
2023	238,100
2024	59,400
2025	59,400
2026	<u>24,700</u>
	<u>\$ 697,600</u>

12. RELATED PARTY TRANSACTIONS

The Foundation and Fund II committed grants to organizations with board members who are directors and officers of the Foundation and Fund II totaling \$170,000 and \$275,500 during 2021 and 2020, respectively.

NORTHWEST HEALTH FOUNDATION
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NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

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 \$1,749,000 and \$2,130,000 at December 31, 2021 and 2020, 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 71% of total contribution revenue received from three sources in 2021 and 76% received from three sources in 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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

14. FAIR VALUE MEASUREMENTS, Continued

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

	<u>Total</u>	<u>Level 1</u>
<u>December 31, 2021</u>		
Money market accounts included in cash and equivalents	\$ 2,970,523	\$ 2,970,523
Investments:		
Money market accounts	1,362,552	1,362,552
Fixed income securities	10,408,117	10,408,117
Domestic equities	11,248,001	11,248,001
International equities	<u>14,324,787</u>	<u>14,324,787</u>
Total assets measured at fair value	40,313,980	<u>\$ 40,313,980</u>
Investments measures at NAV	<u>26,288,518</u>	
Total	<u>\$ 66,602,498</u>	
 <u>December 31, 2020</u>		
Money market accounts included in cash and equivalents	\$ 3,655,540	\$ 3,655,540
Investments:		
Money market accounts	945,196	945,196
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	37,309,900	<u>\$ 37,309,900</u>
Investments measures at NAV	<u>22,033,493</u>	
Total investments and cash	<u>\$ 59,343,393</u>	

Fair values of investments in money market accounts and 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, 2021 and 2020.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2021

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.

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, 2021 and 2020.

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, 2021, and our report thereon dated May 25, 2022, which contained an unmodified opinion on those combined financial statements, appears on page 1. 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 25, 2022

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
SUPPLEMENTARY INFORMATION - SCHEDULE I
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2021

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
ASSETS				
Cash and cash equivalents	\$ 2,634,303	\$ 2,551,324	\$ -	\$ 5,185,627
Grants receivable and other assets	722,646	496,491	-	1,219,137
Intercompany receivable	106,205	-	(106,205)	-
Investments	65,081,778	2,807,267	-	67,889,045
Net property and equipment	<u>40,944</u>	<u>-</u>	<u>-</u>	<u>40,944</u>
TOTAL ASSETS	<u>\$ 68,585,876</u>	<u>\$ 5,855,082</u>	<u>\$ (106,205)</u>	<u>\$ 74,334,753</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 85,484	\$ 100,232	\$ -	\$ 185,716
Grants payable	599,625	267,500	-	867,125
Deferred revenue	-	200,000	-	200,000
Intercompany payable	<u>-</u>	<u>106,205</u>	<u>(106,205)</u>	<u>-</u>
Total liabilities	<u>685,109</u>	<u>673,937</u>	<u>(106,205)</u>	<u>1,252,841</u>
Net assets:				
Without donor restrictions	66,900,767	887,697	-	67,788,464
With donor restrictions	<u>1,000,000</u>	<u>4,293,448</u>	<u>-</u>	<u>5,293,448</u>
Total net assets	<u>67,900,767</u>	<u>5,181,145</u>	<u>-</u>	<u>73,081,912</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 68,585,876</u>	<u>\$ 5,855,082</u>	<u>\$ (106,205)</u>	<u>\$ 74,334,753</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, 2021

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
Investment income:				
Interest and dividend income, net of fees	\$ 479,600	\$ 38,441	\$ -	\$ 518,041
Change in value of investments	9,125,897	200,348	-	9,326,245
Net income (loss) from real estate LLC	(36,168)	-	-	(36,168)
Investment income, net of fees	9,569,329	238,789	-	9,808,118
Less investment expenses:				
Investment administrative expenses	129,946	17,019	-	146,965
Net investment income	9,439,383	221,770	-	9,661,153
Other revenue:				
Contributions and grants	958,500	1,015,702	-	1,974,202
Administrative fees	-	26,509	-	26,509
Total other revenue	958,500	1,042,211	-	2,000,711
Total revenue, net	10,397,883	1,263,981	-	11,661,864
Expenses:				
Program expenses:				
Civic Health Fund	1,169,312	171,040	-	1,340,352
Health and Education Fund	52,570	121,686	-	174,256
Other programs	644,245	728,615	-	1,372,860
Total program expenses	1,866,127	1,021,341	-	2,887,468
General and administrative expenses	259,086	115,159	-	374,245
Total expenses	2,125,213	1,136,500	-	3,261,713
Change in net assets	8,272,670	127,481	-	8,400,151
Net assets - beginning of year	59,628,097	5,053,664	-	64,681,761
Net assets - end of year	\$ 67,900,767	\$ 5,181,145	\$ -	\$ 73,081,912

See independent auditor's report on supplementary information.