

NORTHWEST HEALTH FOUNDATION
and
NORTHWEST HEALTH FOUNDATION FUND II
Combined Audited Financial Statements
For the Year Ended
December 31, 2022



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 and Northwest Health Foundation Fund II, which comprise the combined statement of financial position as of December 31, 2022, 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, 2022, 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 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 and Northwest Health Foundation Fund II'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 and Northwest Health Foundation Fund II'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 and Northwest Health Foundation Fund II's 2021 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated May 25, 2022. 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 Jacoby, P.C.

Portland, Oregon
June 5, 2023

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With comparative totals for 2021)

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 10,306,181	\$ 5,185,627
Grants receivable and other assets (Note 3)	6,478,208	1,219,137
Investments (Note 4)	66,478,175	67,889,045
Net property and equipment (Note 6)	49,539	40,944
Operating lease right-of-use asset (Note 7)	435,806	-
 TOTAL ASSETS	 \$ 83,747,909	 \$ 74,334,753
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 321,247	\$ 185,716
Grants payable (Note 9)	2,934,500	867,125
Deferred revenue	182,360	200,000
Operating lease liability (Note 7)	435,806	-
Total liabilities	3,873,913	1,252,841
Net assets:		
Without donor restrictions	64,583,508	67,788,464
With donor restrictions (Note 10)	15,290,488	5,293,448
Total net assets	79,873,996	73,081,912
 TOTAL LIABILITIES AND NET ASSETS	 \$ 83,747,909	 \$ 74,334,753

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, 2022

(With comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue:				
Support and other revenue:				
Contributions and grants	\$ 708,442	\$ 13,551,797	\$ 14,260,239	\$ 1,974,202
Administrative fees and other revenue	212,154	-	212,154	26,509
Net assets released from restrictions:				
Satisfaction of purpose restrictions	3,554,757	(3,554,757)	-	-
Total support and other revenue	4,475,353	9,997,040	14,472,393	2,000,711
Investment income (loss):				
Interest and dividend income	614,064	-	614,064	518,041
Change in value of investments	(1,404,848)	-	(1,404,848)	9,326,245
Net loss from real estate LLC (Note 5)	(33,721)	-	(33,721)	(36,168)
Investment income, net of fees	(824,505)	-	(824,505)	9,808,118
Less investment expenses:				
Investment administrative expenses	137,742	-	137,742	146,965
Net investment income (loss)	(962,247)	-	(962,247)	9,661,153
Total revenue, net	3,513,106	9,997,040	13,510,146	11,661,864
Expenses:				
Program expenses:				
Civic Health Fund	4,223,141	-	4,223,141	1,340,352
Health and Education Fund	-	-	-	174,256
Justice Reinvestment Equity Fund	620,914	-	620,914	-
Other programs	1,453,626	-	1,453,626	1,372,860
Total program expenses	6,297,681	-	6,297,681	2,887,468
General and administrative expenses	420,381	-	420,381	374,245
Total expenses	6,718,062	-	6,718,062	3,261,713
Change in net assets	(3,204,956)	9,997,040	6,792,084	8,400,151
Net assets - beginning of year	67,788,464	5,293,448	73,081,912	64,681,761
Net assets - end of year	\$ 64,583,508	\$ 15,290,488	\$ 79,873,996	\$ 73,081,912

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, 2022

(With comparative totals for 2021)

	2022					2021	
	Civic Health Fund	Justice Reinvestment Equity Fund	Other Programs	Total Program	General and Administrative	Total	Total
Grants, net of returned funds	\$ 2,822,500	\$ 237,000	\$ 575,612	\$ 3,635,112	\$ -	\$ 3,635,112	\$ 1,076,329
Grantee technical assistance	590,975	100,000	50,000	740,975	-	740,975	836,476
Salaries and related expenses	372,882	181,618	274,764	829,264	287,083	1,116,347	804,020
Professional fees	-	8,964	-	8,964	43,694	52,658	57,542
Consulting	25,525	33,675	205,265	264,465	138,268	402,733	244,959
Service fees	-	-	62,296	62,296	-	62,296	26,509
Lobbying and public relations	178,833	-	176,173	355,006	673	355,679	80,376
Meeting and travel expenses	139,985	4,126	28,586	172,697	33,619	206,316	31,703
Equipment and maintenance	-	4,284	15,025	19,309	19,927	39,236	35,201
Rent	-	-	-	-	146,858	146,858	137,183
Subscriptions and dues	-	-	15,271	15,271	4,104	19,375	29,355
Other operating costs	31,845	2,089	4,706	38,640	28,793	67,433	32,788
Depreciation and amortization	-	-	-	-	10,786	10,786	16,237
	4,162,545	571,756	1,407,698	6,141,999	713,805	6,855,804	3,408,678
Allocation of shared costs	60,596	49,158	45,928	155,682	(155,682)	-	-
	4,223,141	620,914	1,453,626	6,297,681	558,123	6,855,804	3,408,678
Less investment administrative expenses netted with revenue	-	-	-	-	(137,742)	(137,742)	(146,965)
Total expenses	<u>\$ 4,223,141</u>	<u>\$ 620,914</u>	<u>\$ 1,453,626</u>	<u>\$ 6,297,681</u>	<u>\$ 420,381</u>	<u>\$ 6,718,062</u>	<u>\$ 3,261,713</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, 2022

(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from contributions and grants	\$ 9,001,168	\$ 1,269,929
Other cash receipts	194,514	226,509
Investment earnings	614,064	518,041
Grant payments and program funding	(4,230,306)	(4,014,707)
Payments for administrative costs	<u>(411,806)</u>	<u>(458,505)</u>
Net cash flows from operating activities	<u>5,167,634</u>	<u>(2,458,733)</u>
 Cash flows from investing activities:		
Net change in short-term investments	(837,053)	(299,899)
Proceeds from the sale of investments	1,290,147	13,680,966
Purchase of investments	(614,514)	(12,035,112)
Net cash flows from investment in Philanthropy Center	133,721	36,168
Additions to property and equipment	<u>(19,381)</u>	<u>(2,689)</u>
Net cash flows from investing activities	<u>(47,080)</u>	<u>1,379,434</u>
 Net change in cash and equivalents	5,120,554	(1,079,299)
 Cash and cash equivalents - beginning of year	<u>5,185,627</u>	<u>6,264,926</u>
 Cash and cash equivalents - end of year	<u>\$ 10,306,181</u>	<u>\$ 5,185,627</u>
 Supplemental cash flow information:		
Cash paid during the year for operating lease	<u>\$ 196,764</u>	<u>\$ -</u>
 Non-cash investing and financing activity:		
Obtaining right-of-use asset in exchange for lease liability	<u>\$ 626,016</u>	<u>\$ -</u>

See notes to combined financial statements.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2022

I. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northwest Health Foundation (NWHF) was formed in October of 1997 with net proceeds approximating \$58 million 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 NWHF and Fund II (collectively, the Foundation). 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 is 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 statement of cash flows, the Foundation considers 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, 2022

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.

Leases

The Foundation determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

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

Leases, Continued

Leases are included in right-of-use (ROU) asset and lease liability in the combined statements of financial position. ROU assets represent the Foundation's right to use an underlying asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Foundation has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise the option.

The Foundation does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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, 2022 and 2021 totaled \$182,360 and \$200,000, respectively.

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 \$62,300 and \$26,500 in 2022 and 2021, respectively. There were no related accounts receivable (contract assets) or deferred revenue (contract liabilities) related to administrative fees at December 31, 2022 or 2021.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

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, 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 is driven by the donors who have sought out the Foundation 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 2022 and 2021.

The Foundation follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Foundation'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.

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, 2022

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

Summarized Financial Information for 2021

The financial information as of December 31, 2021 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 has evaluated all subsequent events through June 5, 2023, the date the combined financial statements were available to be issued.

New Accounting Standard

Effective January 1, 2022, the Foundation adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the combined statement of financial position and disclose key information about leasing arrangements. The Foundation elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Foundation recognized a right-of-use asset and a lease liability totaling \$626,017 in its combined statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation regularly monitors 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 considers all expenditures related to its primary operations to be general expenditures. The Foundation excludes 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, 2022

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets available for general expenditure consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 10,306,181	\$ 5,185,627
Grants and accounts receivable	6,468,660	1,217,137
Marketable securities and money market funds	31,077,310	37,343,457
Alternative investments	<u>31,277,516</u>	<u>26,288,518</u>
Total financial assets	79,129,667	70,034,739
Less amounts not available for general expenditure:		
With donor restrictions	(15,290,487)	(5,293,448)
Investments with limited liquidity	<u>(31,277,516)</u>	<u>(26,288,518)</u>
Financial assets available for general expenditure	<u>\$ 32,561,664</u>	<u>\$ 38,452,773</u>

See Note 8 for information about financials resources available through 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>2022</u>	<u>2021</u>
Grants receivable within one year	\$ 5,350,000	\$ 893,000
Investment proceeds receivable	-	279,689
Accounts receivable	1,118,660	44,448
Other assets	<u>9,548</u>	<u>2,000</u>
Total grants receivable and other assets	<u>\$ 6,478,208</u>	<u>\$ 1,219,137</u>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

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 (see Note 5):

	2022	2021
Cash and cash equivalents		
Bank deposits	\$ 261,070	\$ -
Money market funds	1,108,838	1,362,552
Total cash and cash equivalents	1,369,908	1,362,552
Marketable securities:		
Fixed income securities	9,544,122	10,408,117
Domestic equities	10,264,004	11,248,001
International equities	9,899,276	14,324,787
Total marketable securities	29,707,402	35,980,905
Alternative investments:		
Hedge funds	1,368,957	3,865,876
Private equities	28,399,924	19,721,221
Real estate funds	1,508,635	2,701,421
Total alternative investments	31,277,516	26,288,518
Real estate LLC (Note 5)	4,123,349	4,257,070
Total investments	\$ 66,478,175	\$ 67,889,045

Commitments for alternative investment interests not yet funded approximate \$4.8 million at December 31, 2022.

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 based on the stated depreciated basis. Additionally, the Foundation has offices located in the building.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

5. INVESTMENT IN REAL ESTATE LLC

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

	2022	2021
Assets:		
Cash	\$ 320,471	\$ 324,073
Prepaid expenses and other assets	84,338	70,408
Land, building and improvements, net of accumulated depreciation of \$1,735,245 and \$1,618,138 for 2022 and 2021, respectively	3,790,872	3,875,191
Total assets	4,195,681	4,269,672
Total liabilities	(72,332)	(12,602)
Net equity	\$ 4,123,349	\$ 4,257,070
Income:		
Rent, including combined rent from the Foundation and Fund II of \$201,192 and \$196,764 for 2022 and 2021, respectively	\$ 691,421	\$ 590,086
Interest income	1,205	1,032
Total income	692,626	591,118
Operating expenses	726,347	627,286
Net loss	\$ (33,721)	\$ (36,168)
Member distributions during the year	\$ (100,000)	\$ -

Rent revenue is recognized at the time services are provided. There was no prepaid rent or rent receivable at December 31, 2022 or 2021.

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Office furniture and equipment	\$ 545,197	\$ 523,750
Less accumulated depreciation	495,658	482,806
Net property and equipment	\$ 49,539	\$ 40,944

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

7. OPERATING LEASES

The Foundation leases 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 is located.

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents the Foundation's right to use underlying assets for the lease term, and the lease liability represents the Foundation's obligation to make lease payments arising from this leases. The ROU asset and lease liability, all of which arise from this operating lease, were calculated based on the present value of future lease payments over the lease terms.

The Foundation's operating lease consists of a lease for office space with a remaining lease term of approximately two years.

The weighted-average remaining lease term for the Foundation's operating lease is approximately 2.3 years as of December 31, 2022. The weighted-average discount rate applied to calculate the lease liability as of December 31, 2022 is 1.35%.

The maturities of the operating lease liability as of December 31, 2022 are as follows:

Year ending December 31, 2023	\$ 196,764
2024	196,764
2025	<u>49,191</u>
	442,719
Less discount/interest	<u>(6,913)</u>
Present value of lease liabilities	<u>\$ 435,806</u>

For the year ended December 31, 2022, total operating lease cost was approximately \$196,000 and is reported as rent expense on the combined statement of functional expenses net of sublease rent income of approximately \$49,900.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

7. OPERATING LEASES, Continued

Rent expense under FASB ASC Topic 840, *Leases*, (pre-adoption of the new standards) for operating leases totaled approximately \$137,200 for the year ended December 31, 2021. The aggregate minimum lease payments under those operating leases as of December 31, 2021, were as follows:

Years ending December 31, 2022	\$ 201,200
2023	207,200
2024	213,400
2025	53,800
	<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:

	<u>Lease Income</u>
Years ending December 31, 2023	\$ 304,300
2024	164,100
2025	145,700
2026	25,500
	<u>\$ 639,600</u>

8. 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 Bloomberg Short-Term Bank Yield Index (BSBY) daily rate plus 1.25% (5.61% at December 31, 2022 and 1.34% at December 31, 2021). The line matures in September 2023 and is secured by investments and subject to certain non-financial covenants. There are no outstanding advances on the line of credit at December 31, 2022 or 2021.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

9. GRANTS PAYABLE

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

	<u>2022</u>	<u>2021</u>
Payable within one year	\$ 1,777,000	\$ 867,125
Payable within two to five years	<u>1,157,500</u>	<u>-</u>
Total grants payable	<u>\$ 2,934,500</u>	<u>\$ 867,125</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, 2022 and 2021.

10. NET ASSETS WITH EXPIRING DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Kaiser Permanente Community Fund	\$ 250,360	\$ 253,727
Kaiser Permanente Center for Health Research Endowed Scientist Fund	1,820,986	2,092,339
CareOregon Fund	442,644	810,879
Civic Health Fund	826,422	1,190,647
Southwest Washington Racial Justice Fund	463,114	500,000
Reimagine Safety Fund	1,749,632	255,029
Justice Reinvestment Equity Program	9,383,158	-
Housing First Campaign Fund	156,750	-
ODACE Fund	126,825	
Other	<u>70,596</u>	<u>190,827</u>
Total net assets with donor restrictions	<u>\$15,290,487</u>	<u>\$ 5,293,448</u>

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

11. 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 2022 and 2021, plus up to an additional 5% employer match dependent on employee contributions. The contributions to the profit sharing plan totaled approximately \$108,400 and \$83,200 for the years ended December 31, 2022 and 2021, respectively.

12. RELATED PARTY TRANSACTIONS

The Foundation committed grants to organizations with board members who are directors and officers of the Foundation totaling \$182,500 and \$170,000 during 2022 and 2021, respectively.

13. CONCENTRATIONS AND CREDIT RISK

The Foundation maintains 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 places cash equivalents with high credit quality financial institutions. Balances in excess of insured limits totaled approximately \$7.9 million and \$1.7 million at December 31, 2022 and 2021, 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 combined statement of financial position.

The Foundation's contribution revenues were concentrated with approximately 81% of total contribution revenue received from one source in 2022 and 71% received from three sources in 2021. The Foundation's credit risk for accounts receivable is concentrated with 93% of the balances coming from two agencies as of December 31, 2022 (73% from four agencies as of December 31, 2021.)

14. COMMITMENTS

The Foundation has signed various contractual commitments through 2025 for approximately \$2.6 million. Payments are either over time or based on performance obligations of the contractor.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

15. 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 at December 31, 2022:

	<u>Total</u>	<u>Level 1</u>
Money market funds included in cash and equivalents	\$ 2,147,495	\$ 2,147,495
Investments:		
Money market funds	1,108,838	1,108,838
Fixed income securities	9,544,122	9,544,122
Domestic equities	10,264,004	10,264,004
International equities	<u>9,899,276</u>	<u>9,899,276</u>
Total assets measured at fair value	32,963,735	<u>\$ 32,963,735</u>
Cash included in investments	261,070	
Investments measured at NAV	<u>31,277,516</u>	
Total	<u>\$ 64,502,321</u>	

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis are as follows at December 31, 2021:

	<u>Total</u>	<u>Level 1</u>
Money market funds included in cash and equivalents	\$ 2,970,523	\$ 2,970,523
Investments:		
Money market funds	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 investments and cash	<u>\$ 66,602,498</u>	

Fair values of investments in money market funds 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, 2022 and 2021.

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.

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II

NOTES TO COMBINED FINANCIAL STATEMENTS, Continued
December 31, 2022

15. FAIR VALUE MEASUREMENTS, Continued

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, 2022 and 2021.

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, 2022, and our report thereon dated June 5, 2023, 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
June 5, 2023

NORTHWEST HEALTH FOUNDATION
AND NORTHWEST HEALTH FOUNDATION FUND II
SUPPLEMENTARY INFORMATION - SCHEDULE I
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2022

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
ASSETS				
Cash and cash equivalents	\$ 938,866	\$ 9,367,315	\$ -	\$ 10,306,181
Grants receivable and other assets	1,068,818	5,409,390	-	6,478,208
Intercompany receivable	301,065	-	(301,065)	-
Investments	64,033,139	2,445,036	-	66,478,175
Net property and equipment	49,539	-	-	49,539
Operating lease right-of-use asset	<u>435,806</u>	<u>-</u>	<u>-</u>	<u>435,806</u>
TOTAL ASSETS	<u>\$ 66,827,233</u>	<u>\$ 17,221,741</u>	<u>\$ (301,065)</u>	<u>\$ 83,747,909</u>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued expenses	\$ 137,894	\$ 183,353	\$ -	\$ 321,247
Grants payable	2,056,000	878,500	-	2,934,500
Deferred revenue	-	182,360	-	182,360
Intercompany payable	-	301,065	(301,065)	-
Operating lease liability	<u>435,806</u>	<u>-</u>	<u>-</u>	<u>435,806</u>
Total liabilities	<u>2,629,700</u>	<u>1,545,278</u>	<u>(301,065)</u>	<u>3,873,913</u>
Net assets:				
Without donor restrictions	63,234,419	1,349,089	-	64,583,508
With donor restrictions	<u>963,114</u>	<u>14,327,374</u>	<u>-</u>	<u>15,290,488</u>
Total net assets	<u>64,197,533</u>	<u>15,676,463</u>	<u>-</u>	<u>79,873,996</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 66,827,233</u>	<u>\$ 17,221,741</u>	<u>\$ (301,065)</u>	<u>\$ 83,747,909</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, 2022

	Northwest Health Foundation	Northwest Health Foundation Fund II	Eliminating Entries	Combined Totals
Support and other revenue:				
Contributions and grants	\$ 1,001,000	\$ 13,259,239	\$ -	\$ 14,260,239
Administrative fees	149,858	62,296	-	212,154
Total other revenue	<u>1,150,858</u>	<u>13,321,535</u>	<u>-</u>	<u>14,472,393</u>
Investment income (loss):				
Interest and dividend income, net of fees	547,562	66,502	-	614,064
Change in value of investments	(1,005,205)	(399,643)	-	(1,404,848)
Net loss from real estate LLC	(33,721)	-	-	(33,721)
Investment income, net of fees	<u>(491,364)</u>	<u>(333,141)</u>	<u>-</u>	<u>(824,505)</u>
Less investment expenses:				
Investment administrative expenses	120,485	17,257	-	137,742
Net investment income (loss)	<u>(611,849)</u>	<u>(350,398)</u>	<u>-</u>	<u>(962,247)</u>
Total revenue, net	<u>539,009</u>	<u>12,971,137</u>	<u>-</u>	<u>13,510,146</u>
Expenses:				
Program expenses:				
Civic Health Fund	3,479,064	744,077	-	4,223,141
Justice Reinvestment Equity Fund	-	620,914	-	620,914
Other programs	493,033	960,593	-	1,453,626
Total program expenses	<u>3,972,097</u>	<u>2,325,584</u>	<u>-</u>	<u>6,297,681</u>
General and administrative expenses	<u>270,146</u>	<u>150,235</u>	<u>-</u>	<u>420,381</u>
Total expenses	<u>4,242,243</u>	<u>2,475,819</u>	<u>-</u>	<u>6,718,062</u>
Change in net assets	(3,703,234)	10,495,318	-	6,792,084
Net assets - beginning of year	<u>67,900,767</u>	<u>5,181,145</u>	<u>-</u>	<u>73,081,912</u>
Net assets - end of year	<u>\$ 64,197,533</u>	<u>\$ 15,676,463</u>	<u>\$ -</u>	<u>\$ 79,873,996</u>

See independent auditor's report on supplementary information.