

PORTAGE HEALTH FOUNDATION

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Portage Health Foundation
400 Quincy Street – P.O. Box 299
Hancock, MI 49930

We have audited the accompanying financial statements of Portage Health Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors of the
Portage Health Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portage Health Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Andersen, Tackman & Company, PLLC
Certified Public Accountants
Marquette, MI

October 14, 2020

PORTAGE HEALTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 236,152	\$ 828,737
Pledges receivable	29,700	18,700
Prepaid expenses	8,093	1,877
TOTAL CURRENT ASSETS	273,945	849,314
Non-current portion of pledges receivable	20,600	24,800
Investment securities, at fair value	61,333,909	52,008,848
Equity investment	7,891,042	7,321,532
Property and equipment, net	34,088	32,682
TOTAL ASSETS	\$ 69,553,584	\$ 60,237,176
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,321	\$ 20,658
Payroll liabilities	4,063	6,545
Grants payable	259,046	1,177,214
TOTAL CURRENT LIABILITIES	282,430	1,204,417
Non-current portion of grants payable	107,144	79,899
TOTAL LIABILITIES	389,574	1,284,316
NET ASSETS		
Without donor restrictions	68,926,743	58,753,205
With donor restrictions	237,267	199,655
TOTAL NET ASSETS	69,164,010	58,952,860
TOTAL LIABILITIES AND NET ASSETS	\$ 69,553,584	\$ 60,237,176

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and other support:		
Contributions	\$ 5,957	\$ 37,264
Fundraising	3,724	5,722
Interest income	17	55
Investment income-net of fees	1,249,679	1,195,656
Grant refund	7,004	676
Other income (loss)	685	1,122
Gain (loss) on disposal of assets	(301)	-
Portage Equity Joint Venture gain (loss)	569,510	(394,536)
Unrealized gain (loss) on investment securities	9,357,593	(6,404,413)
Realized gain (loss) on investment securities	<u>677,069</u>	<u>1,914,946</u>
Total revenues and other support	<u>11,870,937</u>	<u>(3,643,508)</u>
Expenses:		
Program expenses	1,411,065	3,177,288
Management and general expenses	727,610	562,608
Fundraising expenses	<u>13,431</u>	<u>15,863</u>
Total expenses	<u>2,152,106</u>	<u>3,755,759</u>
Net assets released from restriction:		
Satisfaction of drug prevention education and enforcement	151,459	119,750
Satisfaction of mental & behavioral health	-	300,000
Satisfaction of roundtable for health solutions	-	17,250
Satisfaction of flood relief	30,120	934,046
Satisfaction of Giving Tuesday	248,653	87,132
Satisfaction of access to care	1,750	2,250
Release of satisfied pledge obligation	<u>22,725</u>	<u>72,100</u>
Total net assets released from restriction	<u>454,707</u>	<u>1,532,528</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>10,173,538</u>	<u>(5,866,739)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	492,319	1,428,104
Net assets released from restrictions	<u>(454,707)</u>	<u>(1,532,528)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION	<u>37,612</u>	<u>(104,424)</u>
INCREASE IN NET ASSETS	10,211,150	(5,971,163)
Net assets at beginning of year	<u>58,952,860</u>	<u>64,924,023</u>
NET ASSETS AT END OF YEAR	<u>\$ 69,164,010</u>	<u>\$ 58,952,860</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
PROGRAM EXPENSES		
Grant awards	\$ 1,411,065	\$ 3,177,288
TOTAL PROGRAM EXPENSES	<u>1,411,065</u>	<u>3,177,288</u>
MANAGEMENT AND GENERAL EXPENSES		
Personnel costs	460,477	386,883
Advertising and promotion	57,488	40,774
Professional fees	83,446	46,462
Office expenses	16,975	20,826
Dues and subscriptions	7,942	4,377
Education/staff and board development	12,123	2,751
IT maintenance/management	7,794	5,949
Rent expense	13,940	12,630
Liability insurance	7,517	7,437
Travel/relationship development	23,169	7,838
Conference/convention	1,790	2,322
Meetings/luncheons	8,966	6,872
Computer hardware/software	14,854	2,751
Depreciation	8,104	11,683
Miscellaneous	3,025	3,053
MANAGEMENT AND GENERAL EXPENSES	<u>727,610</u>	<u>562,608</u>
FUNDRAISING EXPENSES		
Event coordination	13,431	15,863
TOTAL FUNDRAISING EXPENSES	<u>13,431</u>	<u>15,863</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,152,106</u>	<u>\$ 3,755,759</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,211,150	\$ (5,971,163)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,104	11,683
(Increase) Decrease in prepaid expenses	(6,216)	2,882
(Increase) Decrease in pledges receivable	(6,800)	141,700
Increase (Decrease) in accounts payable	(1,334)	6,482
Increase (Decrease) in grants payable	(890,923)	(38,000)
Increase (Decrease) in accrued payroll liabilities	(2,482)	2,245
Contribution of security placed in investment account	(15,028)	-
Interest and dividends on investment accounts, net of fees	(1,249,679)	(1,195,656)
Net unrealized and realized gains on investment accounts	<u>(10,034,662)</u>	<u>4,489,467</u>
Total Adjustments	<u>(12,199,020)</u>	<u>3,420,803</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,987,870)	(2,550,360)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment returns withdrawn for operations	2,000,032	2,550,000
Investment returns withdrawn for operations	(25,728)	(23,750)
(Gain) Loss on joint venture equity investments	(569,510)	394,536
(Gain) Loss on sale of equipment and furniture	301	-
Office equipment and furniture purchases	<u>(9,810)</u>	<u>-</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,395,285	2,920,786
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>(592,585)</u>	<u>370,426</u>
Cash and cash equivalents, beginning of year	<u>828,737</u>	<u>458,311</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 236,152</u>	<u>\$ 828,737</u>
NON CASH INVESTING ACTIVITIES		
Donated investment security	\$ 15,028	\$ -
Gain (Loss) on joint venture equity investments	\$ 569,510	\$ (394,536)

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A - PURPOSE OF FOUNDATION

Portage Health Foundation (hereinafter referred to as "the Foundation") is a Michigan non-profit corporation. The Foundation's charitable purpose is to make grants, scholarships, donations, program or mission-related investments, and other similar expenditures in furtherance of its mission. The Foundation's mission is to positively influence a healthier community through enhanced philanthropy and community collaboration.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018, and has been applied retrospectively to all periods presented.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation's Board of Directors ("the Board") may designate assets without restrictions for specific operational purposes from time to time. During 2019, the Board had designated \$8,981 of investment earnings as restricted for a future potential endowment fund.

Net assets with donor restrictions - Net assets that are subject to stipulations imposed by donors, and grantors. Donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time.

Change in Net Assets with Donor Restrictions:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 199,655	\$ 304,079
Additional restricted donations	492,319	1,428,104
Amount released from restrictions	<u>(454,707)</u>	<u>(1,532,528)</u>
Ending balance of assets with donor restrictions	<u>\$ 237,267</u>	<u>\$ 199,655</u>

Cash and Cash Equivalents

Cash and cash equivalents are comprised of demand deposits and time deposits with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair market value because of the short maturities of those financial statements.

Property and Equipment

Capital purchases are comprised of furniture, fixtures, equipment, software, leasehold improvements, etc. that meet two criteria: 1) a useful life of more than one year, and 2) cost more than \$2,500, the threshold determined by the Board. Capital assets are recorded on the cost basis if purchased, and fair value if donated. Provisions for depreciation are computed using the straight-line method over the estimated useful lives of the assets.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities are reported at fair value in the statements of financial position. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is included in the statements of activities increase (decrease) in net assets without donor restrictions. Investment returns are presented net of foreign taxes of \$22,339 and \$13,295 paid during the years ended December 31, 2019 and 2018, respectively.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated asset.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grants Payable

Grant expenditures are accrued when they are approved by the Board. Grants payable consist of \$366,190, due to be disbursed in 2020 and 2021, as presented in the statements of financial position.

Income Tax Status

The Foundation is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation files Form 990 with the Internal Revenue Service. The Foundation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial position, results of activities, or cash flows. The Foundation's returns are generally no longer subject to examination by the Internal Revenue Service for years before 2016.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2019 and 2018 were \$57,488 and \$40,774, respectively.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

No amounts have been reflected in the financial statements for donated services. The Foundation generally pays for services requiring specific expertise. Donated services would be reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, and (c) require specialized skills and are provided by individuals possessing those skills.

Subsequent Events

Subsequent events have been evaluated through October 14, 2020, the date on which the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, numerous economic uncertainties have arisen. To combat the spread of the COVID-19, the governor of Michigan issued a "stay at home" order beginning on March 23, 2020, that has lasted for over 70 days. This order required the closure of all non-essential businesses and required residents to shelter in place. The "stay at home" order, like many others across the country, has disrupted supply chains and affected production and sales across a range of industries. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

Recent Accounting Pronouncements

On June 21, 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which applies to all entities that receive or make contributions. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required. For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/release) to determine whether gifts or grants are conditional or unconditional.

For transactions in which a non-public entity serves as a resource recipient, the entity should apply the amendments in this ASU on contributions received to annual periods beginning after December 15, 2018. For transactions in which a non-public entity serves as a resource provider, the entity should apply the amendments in this ASU on contributions made to annual periods beginning after December 15, 2019. Early adoption of the amendments is permitted.

The Foundation is currently implementing the new ASU for contributions received and made, and does not believe that either have a material effect on the financial statements as a whole.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation has financial assets consisting of cash and cash equivalents and investments available within one year of the statements of financial position date of December 31, 2019 and 2018, to meet cash needs for general expenditures. These financial asset are comprised as follows:

	2019	2018
Cash and cash equivalents	\$ 236,152	\$ 828,737
Investments	61,333,909	52,008,848
Total financial assets	\$ 61,570,061	\$ 52,837,585
Less: amounts restricted for certain purposes	(237,267)	(199,655)
Financial assets available to meet cash needs for general expenditures	\$ 61,332,794	\$ 52,637,930

Donor restricted pledges receivable are subject to implied time restrictions, the portion of which is expected to be collected within one year are classified as current on the statements of financial position. The Foundation maintains financial assets consisting of cash and cash equivalents on hand to meet 60 days of normal operating expenses, which are on average, approximately \$425,000. The Board approves an annual budget that allows withdrawal of investment returns for current operations. In doing so, the Foundation structures financial assets to be available as general expenditures and liabilities become due.

NOTE D - CASH

Custodial Credit Risk - Deposits

The Foundation's cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The book and bank cash balances for the years ending December 31, 2019 and 2018 are listed below. Amounts over \$250,000 are not insured.

	2019	2018
Book balance of cash	\$ 236,152	\$ 828,737
Bank balance of cash	\$ 310,923	\$ 561,238

NOTE E - PLEDGES RECEIVABLE

In 2016 the Foundation, along with local law enforcement agencies, announced a community-wide partnership formed to financially support an increased Upper Peninsula Substance Enforcement Team, known as UPSET West. The team will provide an increased level of narcotics enforcement to combat the growth of drug abuse and drug-related crime in the region. There are unconditional promises to give in support of this partnership. An unconditional promise is a promise to give that depends only on the passage of time or demand by the promise for performance. There is no allowance for doubtful pledges, as all outstanding pledges are considered collectible.

Unconditional promises to give consist of the following as of December 31, 2019:

	< 1 Year	1-5 Years	> 5 Years
UPSET West	\$ 29,700	\$ 20,600	\$ -

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE F - INVESTMENT SECURITIES

The cost, fair value, and unrealized appreciation (depreciation) of investment securities at December 31, 2019 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 26,333	\$ 26,333	\$ -
Mutual funds	50,604,096	59,989,144	9,385,048
Exchange traded funds	1,762,161	1,318,432	(443,729)
TOTAL	\$ 52,392,591	\$ 61,333,909	\$ 8,941,318

The cost, fair value, and unrealized appreciation (depreciation) of investment securities at December 31, 2018 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 16,143	\$ 16,143	\$ -
Mutual funds	50,665,994	50,323,781	(342,213)
Exchange traded funds	1,746,886	1,668,924	(77,962)
TOTAL	\$ 52,429,023	\$ 52,008,848	\$ (420,175)

The following tables present information about the Foundation's investments measured at fair value on a recurring basis and the valuation techniques used by the Foundation to determine those fair values. The FASB ASC 820 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels:

Level 1 - Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.

Level 2 - Inputs consist of observable inputs other than quoted prices for identical assets.

Level 3 - Inputs consist of unobservable inputs and have the lowest priority.

	Fair Value at December 31, 2019			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 26,333	\$ -	\$ 26,333	\$ -
Mutual funds - bonds	16,417,623	16,417,623	-	-
Mutual funds - stocks	43,571,521	43,571,521	-	-
Exchange traded funds	1,318,432	1,318,432	-	-
TOTAL INVESTMENTS	\$ 61,333,909	\$ 61,307,576	\$ 26,333	\$ -

	Fair Value at December 31, 2018			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 16,143	\$ -	\$ 16,143	\$ -
Mutual funds - bonds	14,779,053	14,779,053	-	-
Mutual funds - stocks	35,544,728	35,544,728	-	-
Exchange traded funds	1,668,924	1,668,924	-	-
TOTAL INVESTMENTS	\$ 52,008,848	\$ 51,992,705	\$ 16,143	\$ -

The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G - EQUITY INVESTMENT

The Foundation uses the equity method to account for investments in companies if the investment provides the Foundation the ability to exercise significant influence over operating and financial policies of the investee. The Foundation's judgment regarding the level of influence over each equity method investment includes considering key factors such as ownership interest, representation on the board of directors and participation in policy-making decisions.

On December 1, 2013, the entities of Portage Health, Inc., Copper Country Apothecaries, Inc., Portage Physician Practices, Inc., Portage Home Health, Portage Hospice, Portage Pointe, LifePoint Holdings, LLC, and Portage Holding Company, LLC (hereinafter referred to as the "Joint Venture") became parties to a Joint Venture Contribution Agreement to operate a community hospital. As part of the transaction, Portage Health, Inc., Copper Country Apothecaries, Inc., and Portage Physician Practices, Inc. contributed certain assets, primarily Portage Health Hospital, to the Joint Venture in exchange for cash consideration and all of the Class A Units of the Joint Venture.

Upon completion of the joint venture transaction, Portage Health, Inc. assigned the units and cash received to the Foundation to be administered under the charitable agreed purpose specified in the Charitable Assets Agreement between the Michigan Department of Attorney General and the Foundation. The Class A Units represent a 20% equity interest in the Joint Venture, which is accounted for by the equity method. Condensed financial information from the unaudited financial statements of the Joint Venture is as follows:

Summary of Consolidated Balance Sheets

	<u>2019</u>	<u>2018</u>
Assets		
Current assets	\$ 12,507,230	\$ 18,828,192
Noncurrent assets	47,176,491	45,121,734
Total assets	<u>\$ 59,683,721</u>	<u>\$ 63,949,926</u>
Liabilities and Equity		
Current liabilities	\$ 4,564,158	\$ 4,605,913
Noncurrent liabilities	15,664,355	22,736,355
Equity	39,455,208	36,607,658
Total liabilities and equity	<u>\$ 59,683,721</u>	<u>\$ 63,949,926</u>

Summary of Consolidated Income Statements

	<u>2019</u>	<u>2018</u>
Revenue	\$ 71,506,315	\$ 67,019,810
EBITDA	\$ 7,245,370	\$ 3,217,568
Net income (loss)	\$ 2,847,534	\$ (1,972,696)
Foundation's Equity (20% of above Equity)	\$ 7,891,042	\$ 7,321,532

During 2017, the Foundation notified the joint venture that it intends to exercise its put option to sell its interest in the joint venture. There are several steps to this process, including having an audit of the joint venture, obtaining an appraisal of the fair market value of the joint venture, and other conditions of the put agreement that must be satisfied in order to complete the proposed sale. The Board has been negotiating various conditions of the put option since their original notification to the joint venture. The timeframe for resolution of the negotiations is unknown at this time as well as the impact it will have on the financial condition or results of operations.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE L - OPERATING LEASE

The Foundation leases office space under an operating agreement that had an original expiration date of March 2021. This agreement was modified on January 22, 2020, with the new terms beginning February 1, 2020 and ending January 31, 2023. Total rent expense was \$13,940 for the year ended December 31, 2019 and \$12,630 for the year ended December 31, 2018, both of which were paid under the prior agreement. Future minimum rental commitments under the new operating lease are approximately \$39,500 for the year 2020, \$42,000 for the years 2021 and 2022, and \$3,500 for 2023.

NOTE M - MATERIAL EVENT

On June 16, 2018, severe flooding caused landslides and mudslides in the Upper Peninsula of Michigan, affecting communities directly served by the Foundation. On August 3, 2018, the counties of Gogebic, Houghton, and Menominee were declared a federal disaster area. In the aftermath of the disaster, the Foundation Board approved restricted funds to be maintained and used in flood relief efforts. In the years ended December 31, 2019 and 2018, the Foundation received restricted donations totaling \$53,305 and \$934,046 and disbursed restricted grants of \$30,120 and \$934,046 respectively. During 2019 and 2018, the Board also granted additional amounts not subject to donor imposed restrictions totaling \$158,073 and \$993,359, respectively, to aid individuals with flood recovery efforts.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors of the
Portage Health Foundation
400 Quincy Street – P.O. Box 299
Hancock, MI 49930

We have audited the financial statements of Portage Health Foundation (a nonprofit organization) as of and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated October 14, 2020, which contained an unmodified opinion on those financial statements, as listed in the table of contents. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Statements of Operating Resources and Expenses – Modified Cash Basis Compared to Budget, Schedule of Grant Awards – Cash Basis, Schedule of Grant Awards Payable, and Schedule of Donor Restricted Net Assets are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants
Marquette, MI

October 14, 2020

PORTAGE HEALTH FOUNDATION
STATEMENTS OF OPERATING RESOURCES AND EXPENSES - MODIFIED CASH BASIS
COMPARED TO BUDGET

For the years ended December 31, 2019 and 2018

	2019		2018	
	Actual	Budget	Actual	Budget
RESOURCES				
Revenues				
Contributions without donor restrictions	\$ 5,957	\$ 125,000	\$ 37,264	\$ 75,000
Contributions with donor restrictions - cash basis	485,519	450,000	1,407,804	370,000
Grant refund	7,004	-	676	-
Other income	685	-	1,122	300,000
Event contributions	3,724	20,000	5,722	50,000
Other Resources				
Investment returns withdrawn for current operations	2,000,032	2,225,877	2,550,000	1,749,000
TOTAL RESOURCES	<u>2,502,921</u>	<u>2,820,877</u>	<u>4,002,588</u>	<u>2,544,000</u>
PROGRAM EXPENSES				
Grant awards without donor restrictions - cash basis	1,578,764	973,118	1,829,789	1,133,329
Grant awards with donor restrictions - cash basis	723,226	1,069,500	1,223,498	780,000
TOTAL PROGRAM EXPENSES	<u>2,301,990</u>	<u>2,042,618</u>	<u>3,053,287</u>	<u>1,913,329</u>
MANAGEMENT AND GENERAL EXPENSES				
Personnel Costs				
Salaries & wages	329,727	351,814	277,788	245,815
Health insurance	77,727	76,200	61,290	41,006
401(k) plan	22,179	31,045	21,181	19,665
Life & disability insurance	4,431	5,000	4,525	5,280
Professional recruitment	-	-	-	3,000
Payroll tax expense	26,413	40,600	22,099	28,945
Total Personnel Costs	<u>460,477</u>	<u>504,659</u>	<u>386,883</u>	<u>343,711</u>
Advertising and Promotion				
Promotion/advertising/sponsor	30,216	60,000	26,542	60,000
Contributions	-	-	300	-
Graphic design/production	21,589	20,000	9,902	20,000
Web design/maintenance	5,683	4,500	4,030	3,500
Total Advertising and Promotion	<u>57,488</u>	<u>84,500</u>	<u>40,774</u>	<u>83,500</u>
Professional Fees				
Legal fees	57,266	10,000	24,209	20,000
Accounting	22,180	15,000	18,253	15,000
Investment management fees	25,728	25,000	23,750	20,000
Audit fees	4,000	4,000	4,000	4,000
Total Professional Fees	<u>109,174</u>	<u>54,000</u>	<u>70,212</u>	<u>59,000</u>
Office Expenses				
Postage and mailing services	1,817	2,000	4,050	3,600
Printing and copying	1,489	1,500	4,655	1,500
Office supplies	6,355	6,000	5,576	6,000
Telephone/internet	4,706	4,650	4,141	4,610
Bank service charges	2,608	500	2,404	500
Total Office Expenses	<u>16,975</u>	<u>14,650</u>	<u>20,826</u>	<u>16,210</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
STATEMENTS OF OPERATING RESOURCES AND EXPENSES - MODIFIED CASH BASIS
COMPARED TO BUDGET (CONTINUED)
For the years ended December 31, 2019 and 2018

	2019		2018	
	Actual	Budget	Actual	Budget
Other Expenses				
Donations	-	-	-	-
Dues and subscriptions	7,942	15,000	4,377	13,500
Education/staff and board development	12,123	15,000	2,751	15,000
IT maintenance/management	7,794	3,500	5,949	3,000
Rent expense	13,940	12,000	12,630	11,760
Liability insurance	7,517	7,750	7,437	7,750
Travel/relationship development	23,169	10,000	7,838	10,000
Conference/convention	1,790	3,000	2,322	2,500
Meetings/luncheons	8,966	7,000	6,872	7,000
Computer hardware/software	14,854	15,000	2,751	5,000
Depreciation	8,104	11,600	11,683	11,600
Investment account fees	-	600	-	600
Miscellaneous	3,025	-	3,053	-
Total Other Expenses	<u>109,224</u>	<u>100,450</u>	<u>67,663</u>	<u>87,710</u>
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>753,338</u>	<u>758,259</u>	<u>586,358</u>	<u>590,131</u>
FUNDRAISING EXPENSES				
Event coordination	13,431	20,000	15,863	40,000
TOTAL FUNDRAISING EXPENSES	<u>13,431</u>	<u>20,000</u>	<u>15,863</u>	<u>40,000</u>
TOTAL EXPENSES	<u>3,068,759</u>	<u>2,820,877</u>	<u>3,655,508</u>	<u>2,543,460</u>
NET OPERATING RESOURCES/(EXPENSES)	<u>\$ (565,838)</u>	<u>\$ -</u>	<u>\$ 347,080</u>	<u>\$ 540</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF GRANT AWARDS - CASH BASIS
For the year ended December 31, 2019

GRANT AWARDS	
Omega House	\$ 17,500
City of Houghton (UPSET West)	127,815
Michigan Technological University	750,000
Houghton County 4-H	1,000
Alzheimer's Association	1,000
Hiawatha Boy Scouts	1,000
NMWaters Girls Scouts	1,000
Copper Country Habitat for Humanity	1,000
Western UP Healthcare Access Coalition	1,000
Copper Country Audubon	1,000
Catholic Social Services	1,000
Calumet Art Center	1,000
Barbara Kettle Gundlach Shelter Home	2,000
Baraga County Shelter Home	2,000
Great Lakes Recovery Center	4,500
Phoenix House	2,000
UP Kids - Big Brothers Big Sisters	2,000
Keweenaw Land Trust	4,000
Little Brothers Friends of the Elderly	2,575
Dial Help	10,000
Simple Kindness for Youth	4,475
Keweenaw Family Resource Center	4,500
Horizons Alternative High School	15,000
Calumet Township	2,500
Chassell First Responders	16,550
Ontonagon County Cancer Association	100
R. Decker Nursing Excellence Award (Becky Kerry)	200
Trio Pre-College Program	2,000
Dan Schmidt Gift of Music	2,000
Keweenaw Little League	2,000
Lake Linden Public Schools	2,000
Superior Child Abuse Protection Council	2,000
PJ Olson's Rock Camp	500
Salvation Army	25
Brody Strong Foundation	100
Copper Country ISD	5,000
Community Health:	
Copper Country Intermediate School District	23,000
Stanton Township	147,941
Chassell Township	11,521
Village of L'Anse	25,000
Village of Ontonagon	16,900
Calumet Township	15,000
Copper Harbor Trails Club	9,000
Keweenaw County	3,500
Baraga County	25,000

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF GRANT AWARDS - CASH BASIS (CONTINUED)
For the year ended December 31, 2019

Mental & Behavioral Health		
Public Schools of CLK	\$	38,785
Dial Help		270,302
Flood Relief		
Relief payments to individuals & contractors		275,118
Scholarships:		
Gogebic Community College		10,000
Michigan Tech Fund		10,000
Finlandia University		10,000
NMU Foundation		10,000
James Bogan Health Scholarship		2,500
Individual Scholarships (11 for \$500 each)		5,500
Giving Tuesday:		
Omega House		65,324
Dial Help		29,555
Baraga County Shelter Home		13,500
Barbara Kettle Gundlach Shelter Home		35,245
Copper Country Senior Meals		5,685
Dan Schmidt Gift of Music		6,755
Keweenaw Family Resource Center		21,045
Little Brothers Friends of the Elderly		101,375
Ontonagon County Cancer Association		6,405
Phoenix House		17,525
Simple Kindness for Youth		20,690
Superior Search and Rescue		6,464
Swede Town Trails		17,123
31 Backpacks		18,049
UP Kids		33,843
Access to Care:		
Holiday Gas Cards		2,000
	TOTAL GRANT AWARDS	<u>\$ 2,301,990</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF GRANT AWARDS PAYABLE
For the year ended December 31, 2019

	MTU	Dial Help	Stanton Township	U.P. Kids	CLK Public Schools	UPSET WEST	Flood Relief	Other	TOTAL
GRANTS PAYABLE AT BEGINNING OF YEAR	\$ 750,000	\$ 270,302	\$ 16,200	\$ 650	-	\$ 50,935	\$ 86,926	\$ 82,100	\$ 1,257,113
Pledged Awards	-	-	131,741	250,000	59,300	74,580	-	64,110	579,731
Payments	(750,000)	(270,302)	(147,941)	(650)	(59,300)	(50,935)	(86,926)	(104,600)	(1,470,654)
GRANTS PAYABLE AT END OF PERIOD	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ 74,580	\$ -	\$ 41,610	\$ 366,190
Payment Schedule									
2020	-	-	-	142,856	-	74,580	-	41,610	259,046
2021	-	-	-	107,144	-	-	-	-	107,144

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF DONOR RESTRICTED NET ASSETS
For the year ended December 31, 2019

	Ruppe Foundation	UPSET West	Flood Relief	Ontonagon County Career Association	Access to Care	Giving Tuesday	Mental & Behavioral Health	Other	TOTAL
DONOR RESTRICTED NET ASSETS AT BEGINNING OF YEAR	\$ 8,000	\$ 184,905	\$ -	\$ -	\$ 1,750	\$ -	\$ -	\$ 5,000	\$ 199,655
CHANGES IN DONOR RESTRICTED NET ASSETS									
Contributions	-	58,535	53,306	50,000	-	248,653	4,000	39,825	454,319
Investment earnings	-	-	-	-	-	-	-	-	-
PHF interfund gift	-	-	-	-	-	-	-	-	-
Transfer of restricted funds	(8,000)	8,000	-	-	-	-	-	-	-
New pledges promised in 2018:									
2019	-	8,500	-	-	-	-	-	-	8,500
2020	-	13,500	-	-	-	-	-	-	13,500
2021	-	9,500	-	-	-	-	-	-	9,500
2022	-	6,500	-	-	-	-	-	-	6,500
Net assets released from restriction:									
Satisfaction of continuing education	-	-	-	-	-	-	-	-	-
Satisfaction of drug enforcement	-	(151,459)	-	-	-	-	-	-	(151,459)
Satisfaction of Mental & Behavioral Health	-	-	-	-	-	-	-	-	-
Satisfaction of Roundtable for Health Solutions	-	-	-	-	-	-	-	-	-
Satisfaction of flood relief	-	-	(30,120)	-	-	-	-	-	(30,120)
Satisfaction of Giving Tuesday matching funds	-	-	-	-	(1,750)	(248,653)	-	-	(248,653)
Satisfaction of access to care (gas cards)	-	-	-	-	-	-	-	-	(1,750)
Release of satisfied pledge obligation	-	-	-	-	-	-	-	(22,725)	(22,725)
INCREASE (DECREASE) IN DONOR RESTRICTED NET ASSETS	(8,000)	(46,924)	23,186	50,000	(1,750)	-	4,000	17,100	37,612
DONOR RESTRICTED NET ASSETS AT END OF YEAR	\$ -	\$ 137,981	\$ 23,186	\$ 50,000	\$ -	\$ -	\$ 4,000	\$ 22,100	\$ 237,267

See accompanying notes and independent auditor's report