

PORTAGE HEALTH FOUNDATION

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

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PARTNERS

Daniel E. Bianchi, CPA
Michael A. Grentz, CPA
William C. Shelton, CPA

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, 2018 and 2017, 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, 2018 and 2017, 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.

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

August 14, 2019

PORTAGE HEALTH FOUNDATION
STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 828,737	\$ 458,311
Pledges receivable	18,700	163,200
Prepaid expenses	1,877	4,758
TOTAL CURRENT ASSETS	<u>849,314</u>	<u>626,269</u>
Non-current portion of pledges receivable	24,800	22,000
Investment securities, at fair value	52,008,848	57,828,909
Equity investment	7,321,532	7,716,068
Property and equipment, net	<u>32,682</u>	<u>44,365</u>
TOTAL ASSETS	<u>\$60,237,176</u>	<u>\$ 66,237,611</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 20,658	\$ 14,176
Payroll liabilities	6,545	4,299
Grants payable	<u>1,177,214</u>	<u>545,113</u>
TOTAL CURRENT LIABILITIES	<u>1,204,417</u>	<u>563,588</u>
Non-current portion of grants payable	<u>79,899</u>	<u>750,000</u>
TOTAL LIABILITIES	<u>1,284,316</u>	<u>1,313,588</u>
NET ASSETS		
Without donor restrictions	58,753,205	64,619,944
With donor restrictions	<u>199,655</u>	<u>304,079</u>
TOTAL NET ASSETS	<u>58,952,860</u>	<u>64,924,023</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$60,237,176</u>	<u>\$ 66,237,611</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and other support:		
Contributions	\$ 37,264	\$ 62,304
Fundraising	5,722	41,235
Interest and dividends	1,219,461	1,165,520
Grant refund	676	-
Other income (loss)	1,122	-
Unrealized gain (loss) on investment securities	(6,404,413)	6,790,738
Realized gain (loss) on investment securities	1,914,946	844,982
Total revenues and other support	<u>(3,225,222)</u>	<u>8,904,779</u>
Expenses:		
Program expenses	3,177,288	390,407
Management and general expenses	586,358	520,190
Fundraising expenses	15,863	40,101
Total expenses	<u>3,779,509</u>	<u>950,698</u>
Net assets released from restriction:		
Satisfaction of continuing education	-	2,897
Satisfaction of drug prevention education and enforcement	119,750	137,710
Satisfaction of mental & behavioral health	300,000	-
Satisfaction of roundtable for health solutions	17,250	-
Satisfaction of flood relief	934,046	-
Satisfaction of Giving Tuesday	87,132	-
Satisfaction of access to care	2,250	2,000
Satisfaction of prescription for health	-	10,000
Release of satisfied pledge obligation	72,100	-
Total net assets released from restriction	<u>1,532,528</u>	<u>152,607</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(5,472,203)</u>	<u>8,106,688</u>
CHANGES IN ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,428,104	108,000
Net assets released from restrictions	<u>(1,532,528)</u>	<u>(152,607)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(104,424)</u>	<u>(44,607)</u>
OTHER INCOME (EXPENSE)		
Portage Equity Joint Venture gain (loss)	<u>(394,536)</u>	<u>(914,201)</u>
TOTAL OTHER INCOME (EXPENSE)	<u>(394,536)</u>	<u>(914,201)</u>
INCREASE (DECREASE) IN NET ASSETS	(5,971,163)	7,147,880
Net assets at beginning of year	<u>64,924,023</u>	<u>57,776,143</u>
NET ASSETS AT END OF YEAR	<u>\$ 58,952,860</u>	<u>\$ 64,924,023</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
PROGRAM EXPENSES		
Grant Awards	\$ 3,177,288	\$ 390,407
TOTAL PROGRAM EXPENSES	<u>3,177,288</u>	<u>390,407</u>
MANAGEMENT AND GENERAL EXPENSES		
Personnel costs	386,883	283,105
Advertising and promotion	40,774	33,616
Professional fees	70,212	94,210
Office expenses	20,826	11,196
Donations	-	21,731
Dues and subscriptions	4,377	2,736
Education/staff and board development	2,751	16,067
IT maintenance/management	5,949	2,926
Rent expense	12,630	11,610
Liability insurance	7,437	7,681
Travel/relationship development	7,838	6,875
Conference/convention	2,322	-
Meetings/luncheons	6,872	7,484
Computer hardware/software	2,751	5,612
Depreciation	11,683	11,683
Investment account fees	-	102
Miscellaneous	3,053	3,556
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>586,358</u>	<u>520,190</u>
FUNDRAISING EXPENSES		
Annual ball expenses	-	19,600
Event coordination	15,863	20,501
TOTAL FUNDRAISING EXPENSES	<u>15,863</u>	<u>40,101</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 3,779,509</u>	<u>\$ 950,698</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,971,163)	\$ 7,147,880
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	11,683	11,683
(Increase) Decrease in prepaid expenses	2,882	(576)
(Increase) Decrease in pledges receivable	141,700	51,200
Increase (Decrease) in accounts payable	6,481	1,454
Increase (Decrease) in grants payable	(38,000)	(541,237)
Increase (Decrease) in accrued payroll liabilities	2,245	(7,060)
Interest and dividends on investment accounts, net of fees	(1,219,405)	(1,165,520)
Net unrealized and realized gains on investment accounts	<u>4,489,467</u>	<u>(7,635,617)</u>
Total Adjustments	<u>3,397,053</u>	<u>(9,285,673)</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 (2,574,110)	 (2,137,793)
 CASH FLOWS USED BY INVESTING ACTIVITIES		
Return on sale of joint venture equity investments	-	255,285
Investment returns withdrawn for current operations	2,550,000	1,252,000
Transfer investment account to Keweenaw Community Foundation	-	21,731
(Gain) Loss on joint venture equity investments	<u>394,536</u>	<u>914,201</u>
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 2,944,536	 2,443,217
 NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	 <u>370,426</u>	 <u>305,424</u>
 Cash and cash equivalents, beginning of year	 <u>458,311</u>	 <u>152,887</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 828,737</u>	 <u>\$ 458,311</u>
 NON-CASH INVESTING ACTIVITIES		
Gain (Loss) on joint venture equity investments	\$ (394,536)	\$ (914,201)
Transfer control of assets held in Keweenaw Community Foundation	\$ -	\$ 21,731

See accompanying notes and independent auditor's report.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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 support the charitable health needs of the 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.

Net assets with donor restrictions - Net assets 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>2018</u>	<u>2017</u>
Beginning balance	\$ 304,079	\$ 348,686
Additional restricted donations	1,428,104	108,000
Amount released from restrictions	<u>(1,532,528)</u>	<u>(152,607)</u>
Ending balance of assets with donor restrictions	<u>\$ 199,655</u>	<u>\$ 304,079</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 investments.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$13,295 and \$9,915 paid during the years ended December 31, 2018 and 2017, 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 \$1,257,113, due to be disbursed in 2019 and 2020, 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 2015.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017 were \$40,774 and \$33,615, respectively.

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 August 14, 2019, the date on which the financial statements were available to be issued.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation has financial assets consisting of cash and cash equivalents available within one year of the statements of financial position date of December 31, 2018 and 2017 of \$828,737 and \$458,311, respectively, to meet cash needs for general expenditures. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position date. 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 at December 31, 2018 are \$828,737 and \$561,238 respectively, of which amounts over \$250,000 are not insured.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 promisee 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, 2018:

	< 1 Year	1-5 Years	> 5 Years
UPSET West	\$ 18,700	\$ 24,800	\$ -

NOTE F - INVESTMENT SECURITIES

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 cost, fair value, and unrealized appreciation (depreciation) of investment securities at December 31, 2017 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 6,693	\$ 6,693	\$ -
Mutual funds	50,409,135	56,251,109	5,841,974
Exchange traded funds	1,433,318	1,571,107	137,789
TOTAL	\$ 51,849,146	\$ 57,828,909	\$ 5,979,763

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE F - INVESTMENT SECURITIES (CONTINUED)

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, 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	\$ -

	Fair Value at December 31, 2017			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 6,693	\$ -	\$ 6,693	\$ -
Mutual funds - bonds	14,899,111	14,899,111	-	-
Mutual funds - stocks	41,351,998	41,351,998	-	-
Exchange traded funds	1,571,107	1,571,107	-	-
TOTAL INVESTMENTS	\$ 57,828,909	\$ 57,822,216	\$ 6,693	\$ -

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

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.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE G - EQUITY INVESTMENT (CONTINUED)

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 2, 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	2018	2017
Assets		
Current assets	\$ 18,828,192	\$ 19,564,348
Noncurrent assets	45,121,734	46,762,969
Total assets	\$ 63,949,926	\$ 66,327,317
Liabilities and Equity		
Current liabilities	\$ 4,605,913	\$ 4,589,546
Noncurrent liabilities	22,736,355	23,157,431
Equity	36,607,658	38,580,340
Total liabilities and equity	\$ 63,949,926	\$ 66,327,317
Summary of Consolidated Income Statements		
Revenue	\$ 67,019,810	\$ 64,161,445
EBITDA	\$ 3,217,568	\$ (475,147)
Net income (loss)	\$ (1,972,696)	\$ (4,570,982)
Foundation's Equity (20% of above Equity)	\$ 7,321,532	\$ 7,716,068

During 2017, the Foundation received \$255,285 from the sale of the Portage Home Health and Portage Hospice by the joint venture. This was recorded as a return of capital.

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 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 intends to have this transaction completed prior to December 31, 2019.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H - PROPERTY AND EQUIPMENT

The composition of property and equipment at cost is as follows:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 74,168	\$ 74,168
Leasehold improvements	10,695	10,695
	<u>84,863</u>	<u>84,863</u>
Less Accumulated Depreciation	(52,181)	(40,498)
TOTAL	<u><u>\$ 32,682</u></u>	<u><u>\$ 44,365</u></u>

Depreciation expense for each of the years ending December 31, 2018 and 2017 was \$11,683.

NOTE I - ACCUMULATED PAID TIME OFF

Regular, full-time employees are eligible for paid time off (PTO). New hires begin accruing PTO hours each pay period according to the following schedule:

Anniversary years 1 and 2:	15 days/year (.0577 hours per pay period)
Anniversary years 3 and 4:	20 days/year (.077 hours per pay period)
Anniversary years 5 and 6:	23 days/year (.088 hours per pay period)
Anniversary years 7 +:	25 days/year (.961 hours per pay period)

PTO does not carry over from one year to the next. Therefore, any unused PTO at the end of an employee's anniversary year is forfeited without pay.

NOTE J - PENSION PLAN

The Foundation established the Portage Health Foundation 401(k) Plan effective September 1, 2014. Eligible participants may make elective deferral contributions and receive matching and profit sharing contributions on the first day of each plan quarter, coincident with or next following the date the employee attains age 18, and completes 480 hours of service in a 3-month period, provided the employee is still employed at the end of that period. If the service requirement is not met in the first consecutive period of months, the employee will be eligible to participate upon completion of one year of service with a minimum of 1,000 hours. Matching contributions, profit sharing contributions, and qualified non-elective contributions are determined at the discretion of the Foundation. Profit sharing contributions of 8% of compensation were made on behalf of eligible participants for the Plan years ending December 31, 2018 and December 31, 2017, with pension expenses totaling \$21,181 and \$17,026, respectively.

NOTE K - OPERATING LEASE

The Foundation leases office space under an operating agreement that expires in March 2021. Total rent expense was \$12,630 for the year ended December 31, 2018 and \$11,610 for the year ended December 31, 2017. Future minimum rental commitments under this operating lease approximate \$26,820.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

NOTE L - 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 year ended December 31, 2018, the Foundation received and disbursed restricted donations totaling \$934,046. The Board also granted an additional \$993,359 without donor-imposed restrictions to aid individuals with flood recovery efforts.

SUPPLEMENTARY INFORMATION



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PARTNERS

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Michael A. Greutz, CPA
William C. Sheltrou, CPA

**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, 2018 and 2017, and our report thereon dated TBD, which expressed 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, PLC
Certified Public Accountants
Marquette, MI

August 14, 2019

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

For the years ended December 31, 2018, and 2017

	2018		2017	
	Actual	Budget	Actual	Budget
RESOURCES				
Revenues				
Unrestricted donor contributions	\$ 37,264	\$ 75,000	\$ 62,304	\$ 50,000
Restricted donor contributions - cash basis	1,407,804	370,000	159,200	220,000
Grant refund	676	-	-	-
Other income	1,122	300,000	-	-
Event contributions	5,722	50,000	41,235	60,000
Other Resources				
Investment returns withdrawn for current operations	2,550,000	1,749,000	1,252,000	1,485,435
TOTAL RESOURCES	<u>4,002,588</u>	<u>2,544,000</u>	<u>1,514,739</u>	<u>1,815,435</u>
PROGRAM EXPENSES				
Grant awards without restrictions - cash basis	1,829,789	1,133,329	804,833	305,142
Restricted grant awards - cash basis	1,223,498	780,000	126,811	959,500
TOTAL PROGRAM EXPENSES	<u>3,053,287</u>	<u>1,913,329</u>	<u>931,644</u>	<u>1,264,642</u>
MANAGEMENT AND GENERAL EXPENSES				
Personnel Costs				
Salaries & wages	277,788	245,815	210,668	223,753
Health insurance	61,290	41,006	31,683	38,575
401(k) plan	21,181	19,665	17,026	17,900
Life & disability insurance	4,525	5,280	6,110	5,392
Professional recruitment	-	3,000	-	-
Payroll tax expense	22,099	28,945	17,618	27,600
Total Personnel Costs	<u>386,883</u>	<u>343,711</u>	<u>283,105</u>	<u>313,220</u>
Advertising and Promotion				
Promotion/advertising/sponsor	26,542	60,000	28,378	45,000
Contributions	300	-	-	-
Graphic design/production	9,902	20,000	3,608	15,000
Web design/maintenance	4,030	3,500	1,630	1,500
Total Advertising and Promotion	<u>40,774</u>	<u>83,500</u>	<u>33,616</u>	<u>61,500</u>
Professional Fees				
Legal fees	24,209	20,000	54,582	3,000
Accounting	18,253	15,000	15,828	15,000
Investment management fees	23,750	20,000	20,000	20,000
Audit fees	4,000	4,000	3,800	3,800
Total Professional Fees	<u>70,212</u>	<u>59,000</u>	<u>94,210</u>	<u>41,800</u>
Office Expenses				
Postage and mailing services	4,050	3,600	913	3,600
Printing and copying	4,655	1,500	945	1,500
Office supplies	5,576	6,000	3,424	6,000
Telephone/internet	4,141	4,610	4,513	4,320
Bank service charges	2,404	500	1,401	400
Total Office Expenses	<u>20,826</u>	<u>16,210</u>	<u>11,196</u>	<u>15,820</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, 2018, and 2017

	2018		2017	
	Actual	Budget	Actual	Budget
Other Expenses				
Donations	\$ -	\$ -	\$ 21,731	\$ -
Dues and subscriptions	4,377	13,500	2,736	12,500
Education/staff and board development	2,751	15,000	16,067	15,000
IT maintenance/management	5,949	3,000	2,926	3,000
Rent expense	12,630	11,760	11,610	11,500
Liability insurance	7,437	7,750	7,681	7,250
Travel/relationship development	7,838	10,000	6,875	5,001
Conference/convention	2,322	2,500	-	2,500
Meetings/luncheons	6,872	7,000	7,484	7,200
Computer hardware/software	2,751	5,000	5,612	7,500
Depreciation	11,683	11,600	11,683	11,600
Investment account fees	-	600	102	400
Miscellaneous	3,053	-	3,556	-
Total Other Expenses	<u>67,663</u>	<u>87,710</u>	<u>98,063</u>	<u>83,451</u>
 TOTAL MANAGEMENT AND GENERAL EXPENSES	 <u>586,358</u>	 <u>590,131</u>	 <u>520,190</u>	 <u>515,791</u>
 FUNDRAISING EXPENSES				
Event coordination	15,863	40,000	40,101	35,000
TOTAL FUNDRAISING EXPENSES	<u>15,863</u>	<u>40,000</u>	<u>40,101</u>	<u>35,000</u>
TOTAL EXPENSES	<u>3,655,508</u>	<u>2,543,460</u>	<u>1,491,935</u>	<u>1,815,433</u>
NET OPERATING RESOURCES (EXPENSES)	<u>\$ 347,080</u>	<u>\$ 540</u>	<u>\$ 22,804</u>	<u>\$ 2</u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF GRANT AWARDS - CASH BASIS

For the year ended December 31, 2018

GRANT AWARDS

City of Houghton (UPSET West)	\$ 103,628
Michigan Technological University	500,000
Keweenaw Chamber of Commerce	75
Ontonagon Area Schools	1,000
Bonfire Grill-Violence in public spaces safety training workshop	1,525
Baraga County Shelter Home	800
Innovate Marquette SmartZone-Health leadership roundtable	20,000
Keweenaw Family Resource Center	1,500
R. Decker Nursing Excellence Award (Amanda Klein)	200
Western UP Food Bank	7,150
Community Health	
Calumet Township - Swedetown Trails Club	15,000
City of Hancock	22,000
Greenland Township	22,600
Keweenaw Community Foundation	20,000
Portage Lake Multi-Educational Services, Inc.	20,000
Stanton Township	33,800
Copper Harbor Trails	1,500
Copper Harbor DDA	2,000
Mental & Behavioral Health	
Dial Help	152,698
Public Schools of CLK	32,411
Friends of the Porkies	8,116
Flood Relief	
Relief payments to individuals & contractors	1,788,528
Volunteer Resource Center Flood Supplies	36,805
Dial Help-Flood relief crisis services	15,146
Crave 21 Prevention:	
The Mine Shaft/Rockhouse	401
Respawn Tactical	90
Scholarships:	
Gogebic Community College	10,000
Michigan Tech Fund	10,000
Finlandia University	10,000
NMU Foundation	10,000
MSU College of Human Medicine	10,000
Jim Bogan Scholarship	5,000
Individual scholarships (11 for \$500 each)	5,500

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF GRANT AWARDS - CASH BASIS (CONTINUED)
For the year ended December 31, 2018

Prescription for Health	\$ 9,000
Giving Tuesday	
Omega House	43,348
Baraga County Shelter Home	1,180
Copper Country Senior Meals	4,970
Barbara Kettle Gundlach Shelter Home	8,780
Dial Help	10,120
Keweenaw Family Resource Center	6,230
Little Brothers Friends of the Elderly	67,640
Ontonagon Cancer Association	2,010
Phoenix House	150
Simple Kindness for Youth	6,976
UP Kids	23,160
Access to Care: Cancer Support	
Holiday Gas Cards	<u>2,250</u>
TOTAL GRANT AWARDS	<u><u>\$ 3,053,287</u></u>

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF GRANT AWARDS PAYABLE
For the year ended December 31, 2018

	<u>MTU</u>	<u>Dial Help</u>	<u>Other</u>	<u>TOTAL</u>
GRANTS PAYABLE AT BEGINNING OF YEAR	\$ 1,250,000	\$ -	\$ 45,113	\$ 1,295,113
Pledged Awards	-	423,000	276,111	699,111
Payments	<u>(500,000)</u>	<u>(152,698)</u>	<u>(84,413)</u>	<u>(737,111)</u>
GRANTS PAYABLE AT END OF YEAR	<u>\$ 750,000</u>	<u>\$ 270,302</u>	<u>\$ 236,811</u>	<u>\$ 1,257,113</u>
Payment Schedule				
2019	\$ 750,000	\$ 190,403	\$ 236,811	\$ 1,177,214
2020	\$ -	\$ 79,899	\$ -	\$ 79,899

See accompanying notes and independent auditor's report

PORTAGE HEALTH FOUNDATION
SCHEDULE OF DONOR RESTRICTED NET ASSETS
For the year ended December 31, 2018

	Ruppe Foundation	UPSET West	Mental & Behavioral Health	Roundtable for Health Solutions	Flood Relief	Giving Tuesday	Other	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
DONOR RESTRICTED NET ASSETS AT BEGINNING OF YEAR	8,000	244,079	50,000	-	-	-	2,000	304,079
CHANGES IN DONOR RESTRICTED NET ASSETS								
Contributions	8,000	22,576	100,000	13,250	779,046	87,132	82,100	1,092,104
PHF interfund gift	(8,000)	11,000	150,000	2,000	-	-	(3,000)	152,000
Transfer of restricted funds								
New pledges promised in 2018:								
2018		2,000		2,000	155,000			159,000
2019		10,200						10,200
2020		10,200						10,200
2021		4,600						4,600
Net assets released from restriction:								
Satisfaction of continuing education		(109,750)						(109,750)
Satisfaction of drug enforcement			(300,000)					(300,000)
Satisfaction of Mental & Behavioral Health				(17,250)				(17,250)
Satisfaction of Roundtable for Health Solutions					(934,046)			(934,046)
Satisfaction of flood relief						(87,132)		(87,132)
Satisfaction of giving Tuesday matching funds							(2,250)	(2,250)
Satisfaction of access to care (gas cards)							(72,100)	(72,100)
Release of satisfied pledge obligation		(10,000)						(10,000)
INCREASE (DECREASE) IN DONOR RESTRICTED NET ASSETS	-	(59,174)	(50,000)	-	-	-	4,750	(104,424)
DONOR RESTRICTED NET ASSETS AT END OF YEAR	\$ 8,000	\$ 184,905	\$ -	\$ -	\$ -	\$ -	\$ 6,750	\$ 199,655

See accompanying notes and independent auditor's report