

PORTAGE HEALTH FOUNDATION
CONSOLIDATED AUDITED FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021

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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 consolidated financial statements of Portage Health Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Portage Health Foundation, as of December 31, 2022 and 2021, and the changes in its net assets, functional expenses and its 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 Consolidated Financial Statements section of our report. We are required to be independent of Portage Health Foundation 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Portage Health Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Portage Health Foundation's ability to continue as a going concern for a reasonable period of time.

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

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

November 24, 2023

PORTAGE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 904,572	\$ 620,138
Pledges receivable	27,772	57,000
Other receivables	1,357,234	-
Prepaid expenses	24,207	10,646
TOTAL CURRENT ASSETS	2,313,785	687,784
Non-current portion of pledges receivable	110,000	150,000
Investment securities, at fair value	63,335,863	76,797,460
Equity investment	7,952,027	7,952,027
Property and equipment, net	109,056	91,728
Right of use asset-office lease	169,634	-
TOTAL ASSETS	\$ 73,990,365	\$ 85,678,999
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 44,743	\$ 55,334
Payroll liabilities	2,102	3,315
Accrued payroll	44,689	39,597
Current portion of lease obligation-operating	73,352	-
Grants payable	949,927	52,968
TOTAL CURRENT LIABILITIES	1,114,813	151,214
Non-current portion of grants payable	24,000	28,000
Long-term lease obligation-operating	96,282	-
TOTAL LIABILITIES	1,235,095	179,214
NET ASSETS		
Without donor restrictions	72,510,560	85,150,065
With donor restrictions	244,710	349,720
TOTAL NET ASSETS	72,755,270	85,499,785
TOTAL LIABILITIES AND NET ASSETS	\$ 73,990,365	\$ 85,678,999

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the years ended December 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues and other support:		
Contributions	\$ 1,573,712	\$ 533,737
Program income	168,319	199,366
Interest income	10	258
Federal grant	298,766	292,502
Investment income-net of fees	1,380,079	1,530,315
Grant refund	12,500	602,371
Other income (loss)	6,158	18,547
In-Kind contributions	27,369	10,417
Gain (loss) on disposal of assets	(2,571)	-
Unrealized gain (loss) on investment securities	(14,615,455)	3,498,323
Realized gain (loss) on investment securities	2,182,120	4,629,463
Total revenues and other support	(8,968,993)	11,315,299
Expenses:		
Program expenses	3,567,719	2,946,207
Management and general expenses	916,831	870,062
Fundraising expenses	-	67
Total expenses	4,484,550	3,816,336
Net assets released from restriction:		
Satisfaction of Safe & Healthful Communities	155,365	135,699
Satisfaction of Healthy Individuals	-	62,700
Satisfaction of Access to Education	15,000	53,500
Satisfaction of Giving Tuesday	636,927	443,209
Satisfaction of Access to Care	-	28,705
Satisfaction of Income Stability	-	8,000
Satisfaction of Food Stability	6,745	-
Release of satisfied pledge obligation	-	225
Total net assets released from restriction	814,037	732,038
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(12,639,506)	8,231,001
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	712,995	824,178
Investment income-restricted	(3,968)	637
Net assets released from restrictions	(814,037)	(732,038)
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTION	(105,010)	92,777
INCREASE IN NET ASSETS	(12,744,516)	8,323,778
Net assets at beginning of year	85,499,786	77,176,007
NET ASSETS AT END OF YEAR	\$ 72,755,270	\$ 85,499,785

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

2022

	PROGRAM SERVICES							SUPPORTING SERVICES			
	Food Stability	Healthy Individuals	Income Stability	Access to Education	Safe & Healthful Communities	Access to Care	Copper Country Senior Meals, Inc	Total Program Services	Management and General	Fundraising	Total
Grant awards	\$ 144,370	\$ 242,959	\$ 10,514	\$ 236,418	\$ 386,504	\$ 1,344,627	\$ -	\$ 2,365,392	\$ 603,658	\$ -	\$ 2,365,392
Personnel costs	437,416	2,986	-	-	-	-	343,297	783,699	-	-	1,387,357
Food	48,660	-	-	-	-	-	156,359	205,019	-	-	205,019
Kitchen supplies	5,241	-	-	-	-	-	27,075	32,316	-	-	32,316
Delivery supplies	-	-	-	-	-	-	55	55	-	-	55
Advertising and promotion	2,769	-	44	-	-	-	-	2,813	60,666	-	63,479
Professional fees	267	-	-	-	-	-	12,582	12,849	82,713	-	95,562
Office expenses	5,213	719	179	-	15	8,677	10,150	24,953	22,127	-	47,080
Dues and subscriptions	-	-	142	-	-	-	2,655	2,797	18,720	-	21,517
Education/staff and board development	-	-	-	-	-	-	-	-	3,078	-	3,078
IT maintenance/management	634	-	-	-	-	-	-	634	10,948	-	11,582
Rent expense	7,250	-	-	-	-	-	32,400	39,650	42,809	-	82,459
Insurance	-	-	-	-	-	-	-	-	14,778	-	14,778
Travel/relationship development	1,598	-	191	-	-	-	-	1,789	12,707	-	14,496
Meetings/luncheons	-	-	251	-	-	-	-	251	12,041	-	12,292
Conference/convention	-	-	-	-	-	-	-	-	1,665	-	1,665
Computer hardware/software	-	-	-	-	-	-	29	29	6,797	-	6,826
Depreciation	1,570	-	-	-	-	-	4,796	6,366	7,302	-	13,668
Repairs and maintenance	260	-	-	-	-	-	-	260	-	-	260
In-kind expenses	7,420	-	-	-	-	-	19,949	27,369	-	-	27,369
Utilities	2,488	-	-	-	-	-	8,679	11,167	-	-	11,167
Small equipment	7,805	-	-	-	-	-	4,478	12,283	-	-	12,283
Mileage Expense	9,174	-	-	-	-	-	26,043	35,217	-	-	35,217
Miscellaneous	611	-	197	-	-	-	2,003	2,811	7,503	-	10,314
Event coordination	-	-	-	-	-	-	-	-	9,319	-	9,319
TOTAL FUNCTIONAL EXPENSES	\$ 682,746	\$ 246,664	\$ 11,518	\$ 236,418	\$ 386,519	\$ 1,353,304	\$ 650,550	\$ 3,567,719	\$ 916,831	\$ -	\$ 4,484,550

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021

2021

	PROGRAM SERVICES										SUPPORTING SERVICES		
	Food Stability	Healthy Individuals	Income Stability	Access to Education	Safe & Healthful Communities	Access to Care	Copper Country Senior Meals, Inc	Total Program Services	Management and General	Fundraising	Total		
Grant awards	\$ 84,448	\$ 500,784	\$ 17,908	\$ 379,595	\$ 415,040	\$ 693,384	\$ -	\$ 2,091,159	\$ -	\$ -	\$ 2,091,159		
Personnel costs	169,046	36,332	-	-	-	-	312,722	518,100	555,515	-	1,073,615		
Food	-	-	-	-	-	-	156,120	156,120	-	-	156,120		
Kitchen supplies	-	-	-	-	-	-	31,751	31,751	-	-	31,751		
Delivery supplies	-	-	-	-	-	-	1,665	1,665	-	-	1,665		
Advertising and promotion	3,347	-	-	50	186	-	-	3,583	46,170	-	49,753		
Professional fees	-	-	-	-	-	-	10,883	10,883	112,261	-	122,825		
Office expenses	199	-	-	-	32	6,492	13,153	19,876	17,462	-	37,338		
Dues and subscriptions	1,731	-	-	-	-	-	2,322	4,053	8,917	-	12,970		
Education/staff and board development	-	-	96	-	-	-	-	96	8,293	-	8,389		
IT maintenance/management	-	-	-	-	-	-	39,599	39,599	42,315	-	13,875		
Rent expense	-	-	-	-	-	-	27	27	13,848	-	13,875		
Insurance	-	-	-	-	-	-	39,599	39,599	42,315	-	81,914		
Travel/relationship development	1,038	145	6,661	-	-	-	-	7,844	10,372	-	10,372		
Meetings/lunches	-	-	-	265	-	-	-	265	7,044	-	14,888		
Computer hardware/software	-	-	-	-	-	-	-	5,125	5,553	-	5,818		
Depreciation	-	-	-	-	-	-	-	3,215	4,797	-	9,922		
In-kind expenses	-	-	-	-	-	-	10,417	10,417	6,972	-	10,187		
Utilities	-	-	-	-	-	-	7,876	7,876	-	-	7,876		
Small equipment	-	-	-	-	-	-	2,465	2,465	-	-	2,465		
Mileage Expense	-	-	-	-	-	-	28,033	28,033	-	-	28,033		
Miscellaneous	-	-	-	-	-	-	4,054	4,055	30,544	-	34,917		
Event coordination	-	-	-	-	-	-	-	-	-	67	67		
TOTAL FUNCTIONAL EXPENSES	\$ 259,809	\$ 537,261	\$ 24,665	\$ 379,910	\$ 415,258	\$ 699,876	\$ 629,427	\$ 2,946,207	\$ 870,063	\$ 67	\$ 3,816,336		

PORTAGE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (12,744,516)	\$ 8,323,778
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	13,668	10,187
Donated securities	(30,646)	-
(Gain) Loss on disposal of assets	2,571	-
(Increase) Decrease in prepaid expenses	(13,561)	(717)
(Increase) Decrease in pledges receivable	69,228	(170,900)
(Increase) Decrease in other receivables	(1,357,234)	-
(Increase) Decrease in right of use asset-office lease	(169,634)	-
Increase (Decrease) in accounts payable	(10,589)	16,517
Increase (Decrease) in grants payable	892,960	(572,417)
Increase (Decrease) in accrued payroll liabilities	(1,213)	(2,593)
Increase (Decrease) in accrued payroll	5,092	13,642
Increase (Decrease) in lease obligation-operating	169,634	-
Investment income, net of fees	(1,380,060)	(1,530,952)
Net unrealized and realized gains on investment accounts	<u>12,437,303</u>	<u>(8,127,786)</u>
Total Adjustments	<u>10,627,519</u>	<u>(10,365,019)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,116,997)	(2,041,241)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment returns withdrawn for operations	2,465,000	2,220,000
Investment management fees	(30,000)	(28,750)
Purchase of fixed assets	<u>(33,569)</u>	<u>(30,140)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,401,431	2,161,110
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>284,434</u>	<u>119,869</u>
Cash and cash equivalents, beginning of year	<u>620,138</u>	<u>500,269</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 904,572</u>	<u>\$ 620,138</u>
NON CASH INVESTING ACTIVITIES		
Non-cash contributions	\$ 27,369	\$ 10,417

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Acquisition

On December 14, 2020, Portage Health Foundation (fiscal year end 12/31), along with Portage Legacy, Inc. (the sole member of Copper Country Senior Meals, Inc.) and Copper Country Senior Meals, Inc. (fiscal year end 6/30) adopted an agreement to transfer 100% of the membership interest of Copper Country Senior Meals, Inc. (CCSM), from Portage Legacy, Inc. to Portage Health Foundation (PHF). The transfer was necessary due to CCSM's need for financial support in order to continue providing senior citizens with meal services. As of December 14, 2020, Copper Country Senior Meals, Inc. will operate as a membership-based corporation, of which Portage Health Foundation, Inc. is the sole member. The net assets of CCSM of \$52,530 were treated as a contribution from Portage Legacy, Inc.

On October 1, 2022, Portage Health Foundation and Copper Country Senior Meals adopted a formal plan of merger, whereas CCSM was fully merged with and into PHF. Financial statement accounts and balances were not materially affected as a result of the merger, due to the prior consolidation of the PHF and CCSM.

Consolidation Policy

The accompanying consolidated financial statements include accounts of Portage Health Foundation, Inc. and its wholly-owned subsidiary Copper Country Meals, Inc. (CCSM) (collectively, "The Foundation") for the period beginning January 1, 2022 and ending September 30, 2022. The comparative 2021 consolidated financial statements include accounts of Portage Health Foundation, Inc. and its wholly-owned subsidiary Copper Country Senior Meals, Inc. (collectively, "the Foundation"). All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

The consolidated financial statements include the accounts of Portage Health Foundation and CCSM and have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The consolidated 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").

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 (Note I).

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

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Net Assets with Donor Restrictions:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 349,720	\$ 256,943
Additional restricted donations	712,995	824,178
Investment income-restricted	(3,968)	637
Amount released from restrictions	<u>(814,037)</u>	<u>(732,038)</u>
Ending balance of assets with donor restrictions	<u>\$ 244,710</u>	<u>\$ 349,720</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.

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 using 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.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") issued ASC Topic 820 which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

Assets and liabilities, subject to the standard, measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist primarily of assets invested in money market funds, mutual funds and exchange traded funds. Investments in marketable securities are reported at fair value in the consolidated 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 consolidated statements of activities as increases (decreases) in net assets without donor restrictions. Investments received as gifts are recorded at fair value at the time of the donation and sold as soon as possible. Investment returns are presented net of foreign taxes of \$16,901 and \$20,203 paid during the years ended December 31, 2022 and 2021, respectively.

Portage Health Foundation's investment securities are subject to various risks, such as interest rate, market 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 those securities could occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Contributions

Contributions are either unconditional or conditional, depending on whether a gift 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. 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 consolidated statements 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 \$949,927 payable in 2022 and 24,000 payable in 2023 and beyond, as presented in the consolidated statements of financial position.

Income Tax Status

Both CCSM and PHF are not-for-profit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Both entities file 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. Portage Health Foundation's returns are generally no longer subject to examination by the Internal Revenue Service for years before 2019, while CCSM's returns are generally no longer subject to examination by the Internal Revenue Service for years before 2018.

Estimates

The preparation of consolidated 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, 2022 and 2021 were \$63,479 and \$49,753, respectively.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Gifts In-Kind

For the years ended December 31, 2022 and 2021 the organization recorded In-kind contributions of services, materials and building space. Donated services are reported as contributions when the services (a) create or enhance non-financial 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. Gifts in-kind are detailed in the table below:

	<u>2022</u>	<u>2021</u>
Donated Services	\$ -	\$ -
Donated Goods	4,108	1,237
Donated use of Facilities	23,260	9,180
Total	<u>\$ 27,368</u>	<u>\$ 10,417</u>

Donated services, including volunteer hours, that do not meet the criteria for recognition in the consolidated financial statements totaled \$9,895 and \$24,271 for the fiscal years ending December 31, 2022 and 2021.

Related Party Transactions

During 2021, Portage Health Foundation provided a grant in the amount of \$31,530 to its wholly owned subsidiary Copper Country Senior Meals, Inc. This grant consisted of community donations to the Portage Health Foundation via the Giving Tuesday program totaling \$21,727 along with a matching grant in the amount of \$9,803.

During 2021 and 2022 (prior to the merger date), Portage Health Foundation provided unrestricted grant awards in the amount of \$175,000 and \$224,918 to Copper Country Senior Meals to support their operations. These grants have been removed from the total grant awards listed in the Consolidated Statements of Activities as an intercompany transaction. The corresponding grant revenues related to Copper Country Senior Meals have also been removed from the Consolidated Statements of Activities as an intercompany transaction.

Subsequent Events

Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the consolidated financial statements were available to be issued.

On April 1, 2023 Dial Help, Incorporated merged with and into Portage Health Foundation. The primary reason for the merger was because the board of directors of each organization realized that the Foundation would be able to better able to financially support the mental health needs of the community. The future effect on the consolidated financial statements and on the operations of the Foundation cannot be estimated at this time as the accounting for the acquisition is incomplete at this time.

The Portage Health Foundation changed its name to Copper Shores Community Health Foundation as of June 6, 2023.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements. During the preparation of the current year consolidated financial statements, it was discovered that prior year net assets released from restrictions were understated by \$5,000. Net assets without donor restrictions was increased by \$5,000, and net assets with donor restrictions was decreased by \$5,000.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* that requires a lessee to recognize on the balance sheet a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term, regardless of classification of a lease as an operating or finance lease. The Foundation adopted ASU No. 2016-02 on January 1, 2022, using the modified retrospective approach for operating leases, with a term greater than 12 months. The Foundation also elected the package of practical expedients permitted under the new standard that allowed the Foundation to carry forward historical lease classification for existing leases on the adoption date, and allowed the Foundation not to assess whether an existing contract contains a lease or initial direct costs. As permitted by the guidance, the prior comparative periods will not be adjusted under this method. The adoption of this standard resulted in the recognition of an operating lease asset, and corresponding lease liability, in the amount of \$169,634 for the operating lease on the consolidated statement of financial position as of January 1, 2022. There was no material impact on the consolidated statements of activities or consolidated statements of cash flows.

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 consolidated statements of financial position date of December 31, 2022 and 2021, to meet cash needs for general expenditures. These financial asset are comprised as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 904,572	\$ 620,138
Investments	63,335,863	76,797,460
Total financial assets	\$ 64,240,435	\$ 77,417,598
Less: amounts restricted for certain purposes	(244,710)	(349,720)
Financial assets available to meet cash needs for general expenditures	<u>\$ 63,995,725</u>	<u>\$ 77,067,878</u>

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 consolidated 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. As of at December 31, 2022 and 2021 the Foundation had the following book and bank balances of cash and cash equivalents and the amounts uninsured and insured by the FDIC are outlined in the table below.

	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash - book balance	\$ 904,572	\$ 620,138
Cash - bank balance	\$ 867,846	\$ 547,473
Cash - not insured or collateralized	\$ 571,654	\$ 249,017
Cash - FDIC insured	\$ 296,192	\$ 298,456

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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 that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are normally recorded at present value of their estimated future cash flows, however, the Foundation has not made the adjustments for estimated future cash flows because it determines the amounts to be immaterial to the consolidated financial statements.

During the fiscal year ending December 31, 2021, the Foundation received a pledge to establish a permanent endowment fund. The details to this endowment are included in Note I.

Unconditional promises to give consist of the following as of December 31, 2022:

	<u>< 1 Year</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
UPSET West	\$ 27,500	\$ 50,000	\$ -
Giving Tuesday	\$ 272	\$ -	\$ -
Endowment fund receivable	-	60,000	-
TOTAL	<u>\$ 27,772</u>	<u>\$ 110,000</u>	<u>\$ -</u>

NOTE F - INVESTMENT SECURITIES

The Foundation has established an investment policy, approved by the Board of Directors. The policy states that the purpose of the Foundation's investment portfolio is to provide support for operations as well as providing capital for mission related expenditures. The investment policy is based on a diversified portfolio structured to be consistent with the Foundation's investment objectives and risk tolerances in a way that efficiently balances the tradeoff between return, risk and liquidity

The cost, fair value, and unrealized appreciation (depreciation) of investment securities at December 31, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 4,791,258	\$ 4,791,258	\$ -
Mutual funds	33,235,080	40,587,264	7,352,184
Exchange traded funds	1,943,310	2,676,660	733,350
Bonds	17,502,200	15,280,680	(2,221,520)
TOTAL	<u>\$ 57,471,848</u>	<u>\$ 63,335,863</u>	<u>\$ 5,864,015</u>

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE F - INVESTMENT SECURITIES (CONTINUED)

The cost, fair value, and unrealized appreciation (depreciation) of investment securities at December 31, 2021 are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Money market funds	\$ 2,973,902	\$ 2,973,902	\$ -
Mutual funds	34,264,686	54,144,816	19,880,130
Exchange traded funds	1,943,310	2,346,130	402,820
Bonds	17,136,467	17,332,612	196,145
TOTAL	\$ 56,318,365	\$ 76,797,460	\$ 20,479,095

Fair Value

The following tables present information about the Foundation's investments measured at fair value on a recurring basis.

	Fair Value at December 31, 2022			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 4,791,258	\$ -	\$ 4,791,258	\$ -
Mutual funds - bonds	13,818,127	13,818,127	-	-
Bonds-T-Bills	1,462,553	1,462,553	-	-
Mutual funds - stocks	40,587,264	40,587,264	-	-
Exchange traded funds	2,676,660	2,676,660	-	-
TOTAL INVESTMENTS	\$ 63,335,863	\$ 58,544,604	\$ 4,791,258	\$ -

	Fair Value at December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 2,973,902	\$ -	\$ 2,973,902	\$ -
Mutual funds - bonds	17,332,612	17,332,612	-	-
Mutual funds - stocks	55,909,170	55,909,170	-	-
Exchange traded funds	581,776	581,776	-	-
TOTAL INVESTMENTS	\$ 76,797,460	\$ 73,823,558	\$ 2,973,902	\$ -

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.

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.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

NOTE G - EQUITY INVESTMENT (CONTINUED)

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 had been accounted for under the equity method of accounting prior to fiscal year 2020. During fiscal year 2020, the Foundation determined that it no longer possessed the ability to exercise significant influence over the joint venture's operating and financial policies, thus the investment in the joint venture will be recorded prospectively under the cost method of accounting. By switching to the cost method of accounting from the equity method of accounting, any earnings or losses that relate to the ownership retained by the Foundation that were previously accrued shall remain as part of the carrying amount of the investment in the joint venture.

ASC 321-10-35-2 states that an entity may elect to measure an equity investments without a readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. The joint venture equity investment will be measured at cost due to the lack of observable price changes in orderly transactions for identical or similar investments of the same issuer.

Condensed financial information from the unaudited financial statements of the Joint Venture as of the last date to which the Foundation determined that it possessed the ability to exercise significant influence over the joint venture's operating and financial policy is as follows:

Summary of Consolidated Balance Sheets

	<u>3/31/2020</u>
Assets	
Current assets	\$ 13,060,422
Noncurrent assets	46,946,027
Total assets	<u>\$ 60,006,449</u>
Liabilities and Equity	
Current liabilities	\$ 5,199,486
Noncurrent liabilities	15,047,128
Equity	39,760,135
Total liabilities and equity	<u>\$ 60,006,749</u>

Summary of Consolidated Income Statements

	<u>2020</u>
Revenue	\$ 18,185,226
EBITDA	\$ 1,604,842
Net income (loss)	\$ 304,919
Foundation's Equity (20% of above Equity)	\$ 7,952,027

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 carrying value of \$7,952,027 was the value of the investment using the equity method as of 3/31/20, which was the final date at which the Foundation determined it possessed the ability to exercise significant influence over the Joint Venture's operating and financial policies.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE G - EQUITY INVESTMENT (CONTINUED)

The fair value of the Joint Venture has not been estimated after 3/31/20, as the Foundation is not aware of any events or changes in circumstances that may have a significant adverse effect on the fair value and it is not practicable to estimate the fair value.

NOTE H - PROPERTY AND EQUIPMENT

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

	2022	2021
Furniture and equipment	\$ 116,457	\$ 104,547
Leasehold improvements	46,837	46,837
	163,294	151,384
Less accumulated depreciation	(54,238)	(59,656)
TOTAL	\$ 109,056	\$ 91,728

Depreciation expense for each of the years ending December 31, 2022 and 2021 was \$13,668 and \$10,187.

NOTE I - ENDOWMENT FUNDS

The Foundation's endowment includes both donor-restricted endowment and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation is subject to the Michigan Uniform Prudent Management of Institutional Funds Act (MIUPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Foundation's Board of Directors has interpreted MIUPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted MIUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with MIUPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the Foundation.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE I - ENDOWMENT FUNDS (CONTINUED)

The board has entered into a fiscal agent agreement with the Ontonagon County Cancer Association (OCCA), an Ontonagon, Michigan based non-profit organization to support cancer related services, screenings, wellness and health related support services within Ontonagon County. The Foundation has agreed to receive and hold all funds specific to the support of the OCCA, and together with any net income earned on the investment of these funds, establish a restricted account to hold the funds and to make funds available for distribution upon receipt of invoices from OCCA. Contributions from OCCA to the Foundation are recorded in net assets with donor restrictions, however, due to the lack of a donor-imposed restriction on the investment earnings of the funds, the earnings are reported under net assets without donor restrictions.

During the fiscal year 2021, the Foundation received a pledge to set up a permanent endowment scholarship fund. One-hundred percent of the annual distributions from the fund, net of applicable administrative fees, will be available to eligible graduates of the Ontonagon Area High School, located in Ontonagon Michigan. The donor, intends to make \$10,000 annual cash contributions, of which, \$6,000 will be applied to the endowment each year until such time that the endowment can support the issuance of \$2,000 scholarships, or reaches a principal value of no less than \$50,000 in the principal corpus of the fund. During the establishment period, \$4,000 of the annual \$10,000 contribution will be retained by the Foundation for the issuance of two \$2,000 scholarships.

Endowment net assets consisted of the following as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
Endowment net assets-beginning of year	\$ 35,781	\$ 129,637	\$ 165,418
Investment Returns:			
Board designated	(19,419)	-	(19,419)
Donor-restricted	-	(3,968)	(3,968)
Endowment net assets-end of year	<u>\$ 16,362</u>	<u>\$ 125,669</u>	<u>\$ 142,031</u>

Endowment net assets consisted of the following as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>TOTAL</u>
Endowment net assets-beginning of year	\$ 22,049	\$ 75,000	\$ 97,049
Donor-restricted endowment funds, perpetual in duration-original gift amount	-	90,000	90,000
Investment Returns:			
Board designated	13,732	-	13,732
Donor-restricted	-	637	637
Appropriation of endowment assets for expenditure	-	(36,000)	(36,000)
Endowment net assets-end of year	<u>\$ 35,781</u>	<u>\$ 129,637</u>	<u>\$ 165,418</u>

Commingling of Funds

It is the policy of the Board of Directors that the Foundation may commingle the assets of the endowment funds for investment purposes with the assets of any other fund or funds which the Foundation holds and administers, provided that the separate identity of the endowment fund, and the distributions therefrom, are at all times maintained. Earnings will be calculated on a yearly basis in accordance with the Foundation's established fiscal year.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE I - ENDOWMENT FUNDS (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2022 and 2021. The Foundation has interpreted Michigan Uniform Prudent Management of Institutional Funds Act (MIUPMIFA) and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the objective of earning a net annualized return of 8.0%. Asset allocations are targeted to produce expected returns consistent with this target using long term historical returns of assets classes as a guide. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on long-term equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a total return spending policy approved by the Board of Directors that allows the operating fund to receive and recognize investment earnings originating from the endowment funds. The Board of Directors approved spending policy during a normal capital market and operating environment with an annual distribution amount of 4.00% to be determined using a 4-year moving average which shall be calculated using the average trailing 16 quarter-end general fund portfolio closing market values as of September 30th of the current calendar year; "average" is the total sum of 16 most recent quarter-end general fund portfolio market values divided by 16. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE J - 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.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE K - ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing grants, donations, meal delivery and scholarships have been summarized on a functional basis in the consolidated statement of activities and detailed in the statement of functional expenses. Expenses are directly attributed to the program or supporting functions. All other general expenses are allocated to management functions of the organization. Fundraising expenses are directly identifiable and are charged to their applicable functional category.

NOTE L - RETIREMENT 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 the 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, 2022 and 2021, with retirement expenses totaling \$53,406 and \$42,722, respectively.

NOTE M - OPERATING LEASES

The Foundation currently leases office space under an updated operating agreement. Determination if an arrangement is a lease is made at the inception of a contract, and recognized operating lease expense on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. If the initial lease contract contains an option to renew, which extends the lease term beyond 12 months, management determines if the Foundation is reasonably certain to exercise that option and accounts for the lease contract based on that likelihood.

The Foundation's current operating lease, dated January 2020 is set to expire on January 31, 2023. The lease requires monthly payments of \$3,500 beginning in February 2020 with annual increases of 1%. Total rent expense was \$50,059 for the year ended December 31, 2022, and \$42,315 for the year ended December 31, 2021. Subsequent to the date of the consolidated financial statements, the Foundation has renewed the current operating lease, with monthly payments of \$3,570 beginning February 2023, with the term ending January 31, 2026. Copper Country Senior Meals leases space from LifePoint Hospital pursuant to an agreement dated April 1, 2015. The lease calls for annual rent of \$31,800 due in monthly installments of \$2,650. At the end of the lease period, March 31, 2019, CCSM had the option to renew the lease at one year intervals. The landlord may specify an increase in rent with each renewal term not to exceed the percentage increase in the consumer price index during the previous twelve month period. CCSM also leases kitchen space from Calumet Housing Commission pursuant to an agreement dated September 1, 2017. The lease calls for annual rent of \$7,800 due in monthly installments of \$650. At the end of the lease period, CCSM has the option to renew the lease at one year intervals. A written sixty-day notice is required of either party to terminate the lease. Total rent expense was \$32,400 for the year ended December 31, 2022.

PORTAGE HEALTH FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

NOTE M - OPERATING LEASES (CONTINUED)

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of December 31, 2022, and a reconciliation to operating lease liabilities reported on the consolidated statement of financial position.

2023		\$	74,645
2024			50,794
2025			42,844
2026			3,570
	Total lease payments		<u>171,853</u>
	Less: Interest		<u>(2,219)</u>
	Present value of lease liability	\$	<u><u>169,634</u></u>

The remaining lease term for the Foundation's operating lease was one month, with the option to renew for an additional three years, and the discount rate used was 1.04% as of January 1, 2022. The Foundation's other leases with LifePoint and the Calumet Housing Commission have also exercised the options to renew for an additional year at a discount rate of .78%. The Foundation has elected to use the risk-free rate as the discount rate for the leases to calculate and record the right-of-use assets.

The following summarizes cash paid for operating lease liabilities and other non-cash information

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>\$ 74,645</u>
Right-of-use assets obtained in exchange for lease liabilities	
Operating leases	<u>\$ 169,634</u>

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 consolidated financial statements of Portage Health Foundation (a nonprofit organization) as of and for the years ended December 31, 2022 and 2021, and have issued our report thereon dated November 24, 2023, which contained an unmodified opinion on those consolidated financial statements, as listed in the table of contents. Our audit was performed for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

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

November 24, 2023

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

For the years ended December 31, 2022 and 2021

	2022		2021	
	Actual	Budget	Actual	Budget
RESOURCES				
Revenues				
Contributions without donor restrictions	\$ 216,692	\$ 228,856	\$ 533,737	\$ 50,000
Contributions with donor restrictions - cash basis	767,224	700,000	653,278	350,000
Grants refunded	12,500	-	602,371	-
Federal grants	298,766	251,072	292,502	-
Program revenue	168,319	28,093	199,366	-
Other income	6,158	-	18,547	-
Other Resources				
Investment returns withdrawn for current operations	2,465,000	3,064,962	2,220,000	2,945,204
TOTAL RESOURCES	3,934,659	4,272,983	4,519,801	3,345,204
PROGRAM EXPENSES				
Grant awards without donor restrictions - cash basis	1,315,770	1,488,000	1,391,932	2,110,144
Grant awards with donor restrictions - cash basis	155,663	576,000	675,756	144,000
Total Grant Awards	1,471,433	2,064,000	2,067,688	2,254,144
Personnel Costs				
Salaries & wages	549,712	529,725	437,476	174,140
Health Insurance	159,117	168,000	34,064	24,000
401(k) plan	23,472	31,178	11,401	4,120
Life & disability insurance	5,390	15,600	-	2,000
Payroll tax expense	46,008	46,177	35,159	14,800
Total Personnel Costs	783,699	790,680	518,100	219,060
Advertising and Promotion				
Promotion/advertising/sponsor	2,219	-	1,083	-
Graphic design/production	70	-	2,500	-
Web design/maintenance	524	-	-	-
Total Advertising and Promotion	2,813	-	3,583	-
Professional Fees				
Purchased services	12,849	14,500	10,883	-
Total Professional Fees	12,849	14,500	10,883	-
Office Expenses				
Postage and mailing services	702	500	689	-
Office supplies	7,698	2,000	5,145	-
Telephone/internet	7,450	7,000	7,518	-
Bank service charges	9,103	-	6,524	-
Total Office Expenses	24,953	9,500	19,876	-
Other Expenses				
Food supplies	205,019	159,500	156,120	-
Kitchen supplies	32,316	45,000	31,751	-
Delivery supplies	55	-	1,665	-
Dues and subscriptions	2,797	2,500	4,053	-

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF OPERATING RESOURCES
AND EXPENSES - MODIFIED CASH BASIS
COMPARED TO BUDGET (CONTINUED)
For the years ended December 31, 2022 and 2021

	2022		2021	
	Actual	Budget	Actual	Budget
PROGRAM EXPENSES (CONTINUED)				
Other Expenses (Continued)				
Education/staff and board development	-	-	96	-
Rent Expense	39,650	39,600	39,599	-
Travel/relationship development	1,789	38,500	7,844	-
IT maintenance/management	634	2,500	27	-
Repairs and maintenance	260	-	-	-
Meetings/luncheons	251	-	265	-
Depreciation	6,366	2,500	3,215	-
In-Kind	27,369	-	10,417	-
Utilities	11,167	7,500	7,876	-
Computer hardware/software	29	-	5,125	-
Small equipment	12,283	-	2,465	-
Mileage	35,217	-	28,033	-
Miscellaneous	2,811	-	4,054	-
Total Other Expenses	378,013	297,600	302,605	-
TOTAL PROGRAM EXPENSES	2,673,760	3,176,280	2,922,735	2,473,204
MANAGEMENT AND GENERAL EXPENSES				
Personnel Costs				
Salaries & wages	450,710	499,172	388,364	322,540
Health insurance	77,029	133,900	95,230	117,000
401(k) plan	29,934	39,933	31,321	27,090
Life & disability insurance	8,837	8,400	5,721	4,600
Professional recruitment	-	5,000	3,900	500
Payroll tax expense	37,148	41,248	30,979	27,420
Total Personnel Costs	603,658	727,653	555,515	499,150
Advertising and Promotion				
Promotion/advertising/sponsor	41,769	75,000	33,271	60,000
Graphic design/production	8,705	10,000	8,605	30,000
Web design/maintenance	10,192	5,000	4,294	5,000
Total Advertising and Promotion	60,666	90,000	46,170	95,000
Professional Fees				
Legal fees	43,530	30,000	73,634	50,000
Accounting	33,293	25,000	32,096	19,000
Investment management fees	30,000	25,000	28,750	25,000
Retirement fund management fees	1,220	1,250	1,481	-
Audit fees	4,670	5,000	5,050	1,000
Total Professional Fees	112,713	86,250	141,011	95,000
Office Expenses				
Postage and mailing services	1,672	2,000	1,489	2,000
Printing and copying	-	2,000	-	1,500
Office supplies	16,501	5,000	10,773	5,000

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED STATEMENTS OF OPERATING RESOURCES
AND EXPENSES - MODIFIED CASH BASIS
COMPARED TO BUDGET (CONTINUED)
For the years ended December 31, 2022 and 2021

	<u>2022</u>		<u>2021</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
MANAGEMENT AND GENERAL EXPENSES (CONTINUED)				
Office Expenses (Continued)				
Telephone/internet	3,574	6,000	4,475	6,000
Bank service charges	380	-	725	500
Total Office Expenses	<u>22,127</u>	<u>15,000</u>	<u>17,462</u>	<u>15,000</u>
Other Expenses				
Dues and subscriptions	18,720	16,500	8,917	15,000
Education/staff and board development	3,078	15,000	8,293	15,000
IT maintenance/management	10,948	7,500	13,848	10,000
Rent expense	42,809	42,500	42,315	42,350
Liability insurance	14,778	15,000	10,372	9,500
Travel/relationship development	12,707	10,000	7,044	10,000
Conference/convention	1,665	-	-	-
Meetings/luncheons	12,041	9,000	5,553	12,000
Computer hardware/software	6,797	10,000	4,797	15,000
Depreciation	7,302	8,500	6,972	15,500
Investment account fees	-	1,000	-	1,000
Miscellaneous	7,503	27,800	30,545	500
Event coordination	9,319	15,000	-	22,000
Total Other Expenses	<u>147,667</u>	<u>177,800</u>	<u>138,656</u>	<u>167,850</u>
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>946,831</u>	<u>1,096,703</u>	<u>898,814</u>	<u>872,000</u>
FUNDRAISING EXPENSES				
Event coordination	-	-	67	-
TOTAL FUNDRAISING EXPENSES	<u>-</u>	<u>-</u>	<u>67</u>	<u>-</u>
TOTAL EXPENSES	<u>3,620,591</u>	<u>4,272,983</u>	<u>3,821,616</u>	<u>3,345,204</u>
NET OPERATING RESOURCES/(EXPENSES)	<u>\$ 314,068</u>	<u>\$ -</u>	<u>\$ 698,185</u>	<u>\$ -</u>

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED SCHEDULE OF GRANT AWARDS - CASH BASIS
For the year ended December 31, 2022

GRANT AWARDS

Income Stability	
Bridges out of Poverty	\$ 6,884
AHA Process - Poverty Reduction Professional Development	3,630
Food Stability	
31 Backpacks	2,500
Local Farms	7,200
Keweenaw Family Resource Center	2,000
L'Anse St. Vincent Depaul Society	2,500
Trinity Lutheran Church	2,500
Main Street Calumet	25,000
Finlandia University	2,500
St. Nicholas Project of Ontonagon County	2,500
Little Brothers Friends of the Elderly	2,500
Horizon High School	250
Feeding America	13,200
Copper Country Angel Mission	2,500
Keweenaw Bay Indian Community	37,562
Supplies	4,096
Safe & Healthful Communities	
Quincy Franklin Townships-VFD	5,000
Stanton Township-Toivola-VFD	5,000
Coro Medical (AED Kits)	49,750
Holiday Gas Cards	4,049
Houghton County Sheriff	8,800
Calumet Township Fire and Rescue	5,000
Project Lifesaver International	3,903
Adams Township Public Schools	3,000
Village of Laurium	3,000
City of Hancock	3,000
Bootjack Fire and Rescue Department	4,000
Ontonagon Area Schools	700
Public Schools of CLK	19,969
L'Anse Township	20,000
Laurium-VFD	2,210
Keweenaw Nordic Ski Club	16,745
Camp Josh	20,000
Calumet Art Center	3,000
Grant Township-Copper Harbor-VFD	3,230
Ontonagon-VFD	5,000
Human Trafficking Presentations	5,785
Mountain Lions	14,000
Sherman Township-VFD	2,900
Ahmeek Village volunteer fire department	5,000
Keweenaw Search and Rescue	5,000
Copper Harbor Trails Club	15,000
Allouez Township-VFD	2,500

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED SCHEDULE OF GRANT AWARDS - CASH BASIS (CONTINUED)
For the year ended December 31, 2022

Safe & Healthful Communities	
City of Houghton (UPSET West)	125,788
Dickinson Iron County Community Serv. Agency	2,500
Healthy Individuals	
Copper Harbor Trails Club	240,300
Supplies	2,659
Access to Education	
Gogebic Community College	19,000
Grand Valley State University	1,000
Finlandia University	21,000
Northern Michigan University	21,000
Michigan Technological University	89,200
University of Michigan	2,000
University of Wisconsin Green Bay	1,000
Advanced Welding Institution	3,000
Hillsdale University	2,500
Portage Lake District Library	1,000
L'Anse Area Schools	854
James Bogan Health Scholarship	2,500
Massachusetts Institute of Technology	2,500
Michigan State University	2,000
Albion University	1,000
Vanderbilt University	3,500
Copper Island Academy	11,542
U.P. Health Education Corporation	50,000
Supplies	3,322
Access to Care/Giving Tuesday	
R. Decker Nursing Excellence Award (Carol Hokensen)	200
Baraga County Shelter Home	50
Barbara Kettle Gundlach Shelter Home	250
U.P. Kids	225
Dan Schmitt Gift of Music	25
Dial Help	500,200
Dollar Bay Tamarack Community Schools	1,500
Keweenaw Family Resource Center	50
Keweenaw Nordic Ski Club	200
Keweenaw Bay Indian Community	3,020
Simple Kindness for Youth	50
Superior Search and Rescue	3,000
Swedetown Trails Club	325
31 Backpacks	10
Omega House	300
TOTAL GRANT AWARDS	<u>\$ 1,471,433</u>

See Accompanying Notes and Independent Auditor's Report

PORTAGE HEALTH FOUNDATION
CONSOLIDATED SCHEDULE OF GRANT AWARDS PAYABLE
For the year ended December 31, 2022

	Safe & Healthful Communities	Access to Education	Food Stability	Access to Care	TOTAL
GRANTS PAYABLE AT BEGINNING OF YEAR	\$ 47,263	\$ 32,000	-	\$ 1,705	\$ 80,968
Pledged Awards Payments	161,692 (139,017)	62,354 (63,854)	62,562 (25,000)	837,427 (3,205)	1,124,035 (231,076)
GRANTS PAYABLE AT END OF PERIOD	\$ 69,938	\$ 30,500	\$ 37,562	\$ 835,927	\$ 973,927
Payment Schedule					
2023	\$ 69,938	\$ 6,500	\$ 37,562	\$ 835,927	\$ 949,927
2024	-	\$ 4,000	-	-	\$ 4,000
2025	-	\$ 4,000	-	-	\$ 4,000
2026	-	\$ 4,000	-	-	\$ 4,000
2027-2030	-	\$ 12,000	-	-	\$ 12,000

PORTAGE HEALTH FOUNDATION
CONSOLIDATED SCHEDULE OF DONOR RESTRICTED NET ASSETS
For the year ended December 31, 2022

	Safe & Healthful Communities	Ontonagon County Cancer Association	Access to Education	Giving Tuesday	Food Stability	TOTAL
DONOR RESTRICTED NET ASSETS AT BEGINNING OF YEAR	\$ 205,083	\$ 75,000	\$ 69,637	\$ -	\$ -	\$ 349,720
CHANGES IN DONOR RESTRICTED NET ASSETS						
Contributions	17,100	-	15,000	636,927	36,468	705,495
Investment income	-	-	(3,968)	-	-	(3,968)
Transfer of restricted funds	-	-	-	-	7,500	7,500
Net assets released from restriction:						
Satisfaction of safe & healthful communities	(155,365)	-	-	-	-	(155,365)
Satisfaction of access to education	-	-	(15,000)	-	-	(15,000)
Satisfaction of Giving Tuesday	-	-	-	(636,927)	-	(636,927)
Satisfaction of food stability	-	-	-	-	(6,745)	(6,745)
INCREASE (DECREASE) IN DONOR RESTRICTED NET ASSETS	(138,265)	-	(3,968)	-	37,223	(105,010)
DONOR RESTRICTED NET ASSETS AT END OF PERIOD	\$ 66,818	\$ 75,000	\$ 65,669	\$ -	\$ 37,223	\$ 244,710

