

January 27, 2016

Anderson, Tackman & Company, PLC
102 W. Washington Street, Suite 109
Marquette, Michigan 49855

This representation letter is provided in connection with your audit of the financial statements of Portage Health Foundation, which comprise the statement of financial position as of December 31, 2014, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 10, 2015 the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 17, 2015, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the organization's accounts. In this case, no representation about uncorrected misstatements is necessary.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

12) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.

13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15) We have no knowledge of any fraud or suspected fraud that affects the organization and involves:

- a) Management,
- b) Employees who have significant roles in internal control, or
- c) Others where the fraud could have a material effect on the financial statements.

16) We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

18) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments

19) We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.

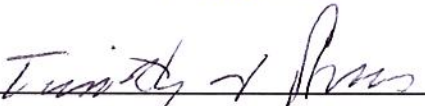
20) The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

22) Portage Health Foundation is an exempt organization under Section 501(C) (3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

Signature: 

Title: Executive Director

Signature: 

Title: Board Treasurer



Portage Health Foundation
Report to Management Letter
For the Year Ended December 31, 2014

To the Board of Directors of the
Portage Health Foundation
500 Campus Drive
Hancock, Michigan 49930

In planning and performing our audit of the financial statements of Portage Health Foundation as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Portage Health Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Portage Health Foundation's internal control to be significant deficiencies:

DEFICIENCIES:

2014-01 – EXPENDITURE RECOGNITION

Condition/Criteria: Grants awarded should be recognized as expensed in the period in which they are awarded and not in the period in which the grant is paid.

Board of Directors of the
Portage Health Foundation

Cause of Condition: Grants awarded in 2014 and not paid until 2015 were not recorded as expenses in 2014.

Effect: Accounts/Grants Payable and Grants Awarded were understated.

Recommendation: Expensing grants when awarded.

The Foundation's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

January 27, 2016



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Certified Public Accountants

"A Regional Firm With Offices In Michigan And Wisconsin"

102 W. Washington St. Suite 109 Marquette, MI 49855 Phone: (906) 225-1166 www.atccpa.com

PARTNERS

Daniel E. Bianchi, CPA

Michael A. Grenz, CPA

William C. Shelton, CPA

Portage Health Foundation
Communication with Those Charged with Governance
For the Year Ended December 31, 2014

January 27, 2016

To the Board of Directors of the
Portage Health Foundation
500 Campus Drive
Hancock, MI 49930

We have audited the financial statements of Portage Health Foundation for the year ended December 31, 2014, and have issued our report thereon dated July 10, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 29, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Portage Health Foundation are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the key factors and assumptions used to develop the accumulated the current years depreciation expense and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the equity investment in Portage Health, Inc., Copper Country Apothecaries, Inc. and Portage Physician Practices, Inc. in the notes to the financial statements. Equity investments are recorded using the equity method of accounting. Equity investments are inherently risky, and their success depends on, market acceptance, operational efficiency, and other key business factors. The companies could fail or not be able to raise additional funds when needed, or they may receive lower valuations with less favorable investment terms than previous financings. These events could cause the investments to become impaired. In addition, financial market volatility could negatively affect the ability to realize value in the investments through liquidity events such as initial public offerings, mergers, and private sales.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 10, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Directors of the
Portage Health Foundation

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However we identified certain deficiencies in internal control over financial reporting described in the accompanying report to management listed as item 2014-01.

This information is intended solely for the use of the Board of Directors of Portage Health Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants



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Daniel E. Bianchi, CPA

Michael A. Grentz, CPA

William C. Steltrow, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Portage Health Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities, functional expenses and cash flows for the year 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.

To the 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Anderson, Tackman & Company, PLLC

Certified Public Accountants
Marquette, MI

January 27, 2016

PORTAGE HEALTH FOUNDATION

AUDITED FINANCIAL STATEMENTS

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of the
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Andersen, Tackman & Company, PLLC
Certified Public Accountants
Marquette, MI

January 27, 2016

PORTAGE HEALTH FOUNDATION
STATEMENT OF FINANCIAL POSITION

December 31, 2014

ASSETS

Cash and cash equivalents	\$ 152,638
Prepaid expenses	3,800
Contributions receivable	1,000
Employee advance	3,000
Investments, at fair value	46,168,760
Investments, at fair value, held by KC Foundation	20,327
Equity investments	9,185,690
Property and equipment, net	<u>49,898</u>

TOTAL ASSETS \$55,585,113

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 25,785
Payroll liabilities	5,815
Grants payable	<u>150,000</u>

TOTAL LIABILITIES 181,600

NET ASSETS

Unrestricted net assets	55,395,513
Temporarily restricted net assets	<u>8,000</u>

TOTAL NET ASSETS 55,403,513

TOTAL LIABILITIES AND NET ASSETS \$55,585,113

See accompanying notes and independent auditor's report.

PORTAGE HEALTH FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2014

CHANGES IN UNRESTRICTED NET ASSETS:	
Revenues and other support:	
Contributions	\$ 76,003
Fundraising	41,682
Interest and dividends	1,056,266
Other income (loss)	56,057
Unrealized gain (loss) on investment securities	(1,582,692)
Realized gain (loss) on investment securities	<u>2,724,426</u>
Total revenues and other support	<u>2,371,742</u>
Expenses:	
Program expenses	152,100
Management and general expenses	476,431
Fundraising expenses	<u>15,496</u>
Total expenses	<u>644,027</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>1,727,715</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:	
Contributions	<u>8,000</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSET	<u>8,000</u>
OTHER INCOME/(EXPENSE)	
Portage Equity Joint Venture gain/(loss)	<u>(155,876)</u>
TOTAL OTHER INCOME/(EXPENSE)	<u>(155,876)</u>
INCREASE IN NET ASSETS	1,579,839
Net assets at beginning of year	<u>53,823,674</u>
NET ASSETS AT END OF YEAR	<u>\$ 55,403,513</u>

See accompanying notes and independent auditor's report.

PORTAGE HEALTH FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2014

PROGRAM EXPENSES	
Grant awards	\$ 152,100
TOTAL PROGRAM EXPENSES	<u>152,100</u>
MANAGEMENT AND GENERAL EXPENSES	
Personnel costs	187,622
Advertising and promotion	9,548
Professional fees	97,093
Occupancy	9,200
Office expenses	12,298
Dues and subscriptions	4,770
IT maintenance/management	2,007
Liability insurance	6,754
Travel & entertainment	2,880
Conference/convention	2,749
Meetings/luncheons	2,434
Computer hardware/software	1,037
Depreciation	6,927
Investment account fees	129,292
Miscellaneous	1,820
TOTAL MANAGEMENT AND GENERAL EXPENSES	<u>476,431</u>
FUNDRAISING EXPENSES	
Annual ball expenses	13,846
Event coordination	1,650
TOTAL FUNDRAISING EXPENSES	<u>15,496</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 644,027</u>

See accompanying notes and independent auditor's report.

PORTAGE HEALTH FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,579,839
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	6,927
(Increase) Decrease in prepaid expenses	(3,800)
(Increase) Decrease in accounts receivable	24,143,184
(Increase) Decrease in employee advance	(3,000)
Increase (Decrease) in accrued liabilities	22,918
Increase (Decrease) in grants payable	150,000
Contributions placed in investment accounts	(24,036,375)
Investment account fees	129,292
Interest and dividends on investment accounts	(1,055,977)
Net unrealized and realized gains on investment accounts	(1,195,102)
Total Adjustments	<u>(1,841,933)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES (262,094)

CASH FLOWS USED BY INVESTING ACTIVITIES

(Gain) Loss on joint venture equity investments	155,876
Office equipment and furniture purchases	<u>(56,825)</u>

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES 99,051

NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS (163,042)

Cash and cash equivalents, beginning of year 315,680

CASH AND CASH EQUIVALENTS, END OF QUARTER \$ 152,638

NON CASH INVESTING ACTIVITIES

Donated investment securities	\$ 71,634
Loss on joint venture equity investments	\$ 155,876

See accompanying notes and independent auditor's report.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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 have been prepared in accordance with the American Institute of Certified Public Accountants' Audit and Accounting Guide for Not-for-Profit Organizations. The Foundation follows Statement of Financial Accounting Standards (FASB ASC 958), Financial Statements of Not-for-Profit Organizations. In accordance with FASB ASC 958, net assets are classified into three types; unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets - Those resources over which the Board has discretionary control.

Temporarily restricted net assets - Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Board or by the passage of time.

Permanently restricted net assets - Those resources subject to donor-imposed restrictions that they be maintained permanently by the Board. Generally, the donors of these resources will allow the Board to utilize all or part of the income earned on the related investments for unrestricted or temporarily restricted purposes.

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

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The financial statements are prepared in accordance with the requirements of FASB ASC 958-605, Accounting for Contributions Received and Contributions Made; FASB ASC 958, Financial Statements of Not-for-Profit Organizations; FASB ASC 958-320, Accounting for Certain Investments Held by Not-for-Profit Organizations; and FASB ASC 9520, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property and equipment 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.

Investment Securities

Investments are carried at fair value, determined by quoted market prices, if available.

Contributions

The Foundation reports gifts of cash and other assets as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions.

Unrestricted net assets - Those resources over which the Board has discretionary control.

Temporarily restricted net assets - Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Board or by the passage of time.

Permanently restricted net assets - Those resources subject to donor-imposed restrictions that they be maintained permanently by the Board. Generally, the donors of these resources will allow the Board to utilize all or part of the income earned on the related investments for unrestricted or temporarily restricted purposes.

Grants

Grants are recorded as expenses when they are approved by the Board of Trustees for payment.

Income Taxes

The Foundation is 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 2011.

Foreign Taxes

Foreign taxes paid within investment accounts was \$8,293. The realized gain on investment securities is reported net of foreign taxes paid.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

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

The Foundation expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2014 was \$9,548.

Donated Services and Facilities

Donated services are 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 January 27, 2016, the date on which the financial statements were available to be issued.

NOTE C - 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 balance at December 31, 2014 is \$152,638, all of which is FDIC insured.

NOTE D - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2014:

	<u>Due in 1 Year</u>	<u>Due in 1 - 5 Years</u>	<u>Total</u>
Contributions receivable	\$ 1,000	\$ -	\$ 1,000
Total	1,000	-	1,000
Less:			
Discount to net present value	-	-	-
Allowance for uncollectible contributions	-	-	-
Net contributions receivable	\$ 1,000	\$ -	\$ 1,000

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE E - INVESTMENT SECURITIES

The cost, market value, and unrealized appreciation (depreciation) of investment securities are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 150,001	\$ 150,001	\$ -
Mutual funds	47,601,450	46,018,758	(1,582,692)
TOTAL	\$ 47,751,451	\$ 46,168,760	\$ (1,582,692)

The following table presents 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	Level 1	Level 2	Level 3
Short-term investments	\$ 150,001	\$ -	\$ 150,001	\$ -
Mutual funds - bonds	12,933,211	12,933,211	-	-
Mutual funds - stocks	33,085,548	33,085,548	-	-
TOTAL INVESTMENTS	\$ 46,168,760	\$ 46,018,759	\$ 150,001	\$ -

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

NOTE F - EQUITY INVESTMENT

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.

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2014

NOTE F - 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 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

Assets	
Current assets	\$ 29,581,382
Noncurrent assets	37,534,319
Total assets	<u>\$ 67,115,701</u>
Liabilities and Equity	
Current liabilities	\$ 6,903,294
Noncurrent liabilities	14,283,958
Equity	45,928,449
Total liabilities and equity	<u>\$ 67,115,701</u>

Summary of Consolidated Income Statements

Net revenue	\$ 77,966,751
EBITDA	\$ 5,568,056
Net income	\$ 1,023,382
Foundation's Equity (20% of above)	\$ 9,185,690

NOTE G - PROPERTY AND EQUIPMENT

The composition of property and equipment is as follows:

	<u>Cost</u>
Furniture and equipment	\$ 49,275
Foundation software	18,615
Leasehold improvements	7,550
	<u>75,440</u>
Less Accumulated Depreciation	<u>(25,542)</u>
TOTAL	<u>\$ 49,898</u>

PORTAGE HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS

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NOTE H - 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 I - PENSION PLAN

Eligible employees of the Foundation became participants in the Foundation's 401(k) Plan beginning in October, 2014.

NOTE J - OPERATING LEASE

The Foundation leases office space under an operating agreement that expires in December, 2015. Total rent expense was \$9,200 for the year ended December 31, 2014. Future minimum rental commitments under this operating lease approximate \$9,200.