



PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Combined Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

Audit and Compliance Committee
Providence Health & Services:

We have audited the accompanying combined financial statements of Providence Health & Services – Oregon Foundations, which comprise the combined balance sheets as of December 31, 2018 and 2017, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statement that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Providence Health & Services – Oregon Foundations as of December 31, 2018 and 2017, and the results of their activities and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 2 to the combined financial statements, in 2018, Providence Health & Services – Oregon Foundations adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, requiring a change in the presentation of net assets and enhanced financial statement disclosures. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplemental schedules of combining financial information included on pages 23 through 26 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

KPMG LLP

Seattle, Washington
July 25, 2019

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Combined Balance Sheets

December 31, 2018 and 2017

(Dollars in thousands)

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 21,807	14,083
Contributions receivable, net of allowance	2,515	8,454
Education loans receivable, net of allowance	499	487
Affiliate receivables	1,206	49
Other current assets	771	805
Total current assets	<u>26,798</u>	<u>23,878</u>
Noncurrent assets:		
Investments	333,601	321,695
Contributions receivable, net of current portion	3,374	2,125
Gift annuities and charitable remainder trusts	22,950	23,430
Beneficial interest in remainder trusts	6,326	5,825
Education loans receivable, net of current portion and allowance	1,633	1,633
Other long-term assets	1,744	934
Total noncurrent assets	<u>369,628</u>	<u>355,642</u>
Total assets	\$ <u><u>396,426</u></u>	\$ <u><u>379,520</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 191	171
Affiliate payables	6,640	487
Current obligations under gift annuities	819	863
Total current liabilities	<u>7,650</u>	<u>1,521</u>
Noncurrent liabilities:		
Noncurrent obligations under gift annuities and charitable remainder trusts	10,712	11,299
Total liabilities	<u>18,362</u>	<u>12,820</u>
Net assets:		
Without donor restrictions	169,310	194,917
With donor restrictions	208,754	171,783
Total net assets	<u>378,064</u>	<u>366,700</u>
Total liabilities and net assets	\$ <u><u>396,426</u></u>	\$ <u><u>379,520</u></u>

See accompanying notes to combined financial statements.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Combined Statements of Activities

Years ended December 31, 2018 and 2017

(Dollars in thousands)

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions:		
Revenues and gains (losses):		
Contributions	\$ 9,929	4,347
Investment return, net	(18,405)	31,547
Change in value of gift annuities and charitable remainder trusts	48	677
Total revenues and gains (losses) without donor restrictions	<u>(8,428)</u>	<u>36,571</u>
Support from affiliates	4,167	3,995
Net assets released from restrictions	<u>17,591</u>	<u>13,471</u>
Total revenues, gains, and other support without donor restrictions	<u>13,330</u>	<u>54,037</u>
Expenses:		
Fundraising	3,304	3,132
Management and general	<u>3,044</u>	<u>2,820</u>
Total expenses	<u>6,348</u>	<u>5,952</u>
Program related distributions:		
Distributions to affiliates for operations	20,496	17,242
Distributions to affiliates for capital	9,810	8,494
Distributions to nonaffiliate organizations	<u>1,399</u>	<u>1,795</u>
Total distributions	<u>31,705</u>	<u>27,531</u>
Total expenses and program related distributions	38,053	33,483
Other activities and transfers	<u>(884)</u>	<u>(6)</u>
(Decrease) increase in net assets without donor restrictions	<u>(25,607)</u>	<u>20,548</u>
Net assets without donor restrictions, beginning of year	<u>194,917</u>	<u>174,369</u>
Net assets without donor restrictions, end of year	\$ <u><u>169,310</u></u>	\$ <u><u>194,917</u></u>
Changes in net assets with donor restrictions:		
Contributions, net	\$ 58,416	48,006
Investment return, net	(5,185)	8,884
Change in value of gift annuities and charitable remainder trusts	449	1,529
Net assets released from restrictions	(17,591)	(13,471)
Other activities and transfers	<u>882</u>	<u>6</u>
Increase in net assets with donor restrictions	36,971	44,954
Net assets with donor restrictions, beginning of year	<u>171,783</u>	<u>126,829</u>
Net assets with donor restrictions, end of year	\$ <u><u>208,754</u></u>	\$ <u><u>171,783</u></u>
Increase in total net assets	\$ 11,364	65,502
Net assets, beginning of year	<u>366,700</u>	<u>301,198</u>
Net assets, end of year	\$ <u><u>378,064</u></u>	\$ <u><u>366,700</u></u>

See accompanying notes to combined financial statements.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Combined Statements of Cash Flows

Years ended December 31, 2018 and 2017

(Dollars in thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Total change in net assets	\$ 11,364	65,502
Adjustments to reconcile total change in net assets to net cash provided by operating activities:		
Contributions and other changes to net assets restricted for long-term purposes	(5,313)	(6,443)
Bad debt provisions (recoveries)	517	(778)
Net realized and unrealized losses (gains) on investments	27,887	(37,772)
Education loans forgiven	824	780
Changes in current and noncurrent assets and liabilities	<u>7,820</u>	<u>(3,524)</u>
Net cash provided by operating activities	<u>43,099</u>	<u>17,765</u>
Cash flows from investing activities:		
Purchases of trading securities, net of sales	(43,095)	(25,372)
Sales of alternative investments and commingled funds, net	15,226	2,412
Purchases of alternative investments and commingled funds, net	(11,924)	(2,428)
Proceeds from repayment of education loans	14	34
Issuance of education loans	<u>(898)</u>	<u>(908)</u>
Net cash used in investing activities	<u>(40,677)</u>	<u>(26,262)</u>
Cash flows from financing activity:		
Contributions, recoveries and redesignations to net assets restricted for long-term purposes	<u>5,302</u>	<u>7,042</u>
Net cash provided by financing activity	<u>5,302</u>	<u>7,042</u>
Increase (decrease) in cash and cash equivalents	7,724	(1,455)
Cash and cash equivalents, beginning of year	<u>14,083</u>	<u>15,538</u>
Cash and cash equivalents, end of year	\$ <u><u>21,807</u></u>	\$ <u><u>14,083</u></u>

See accompanying notes to combined financial statements.

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Notes to Combined Financial Statements

December 31, 2018 and 2017

(1) Organization

Providence Health & Services – Oregon Foundations (the Foundations) represent the combined financial statements of the ten foundations controlled by Providence Health & Services – Oregon as follows:

- Providence Seaside Hospital Foundation
- Providence Portland Medical Center Foundation
- Providence St. Vincent Medical Center Foundation
- Willamette Falls Medical Foundation
- Providence Children's Health Foundation (formerly Providence Child Center Foundation)
- Providence Milwaukie Foundation
- Providence Hood River Memorial Hospital Foundation
- Providence Newberg Health Foundation
- Providence Benedictine Nursing Center Foundation
- Providence Community Health Foundation

The Foundations are organized exclusively for charitable, scientific, and educational purposes that are consistent with the mission and purposes of Providence Health & Services (the Health System), primarily to, or for the benefit of, the divisions of Providence Health & Services – Oregon, including its hospitals, Shared Services, the Children's Health Center (formerly Providence Child Center), and the Benedictine Nursing Center (collectively, the Medical Institutions).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying combined financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The accompanying combined financial statements present the Foundations and their subsidiaries after eliminations of any intercompany accounts and transactions.

(b) Classification of Net Assets

The combined financial statements report net assets and changes in net assets in two classes based on the existence or absence of restrictions on use that are placed by the Foundations' donors, as follows:

- *Without Donor Restrictions* – Net assets without donor restrictions are resources which are not subject to donor restrictions and over which the Foundations' boards retain control to use funds to achieve the Foundations' purposes.
- *With Donor Restrictions* – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose or that will be met by the passage of time. Other donor-imposed restrictions are to maintain resources in perpetuity. Endowment funds represent funds that are subject to restrictions of gift instruments requiring the principal to be invested in perpetuity.

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(c) Contributions and Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by the donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary donor restrictions are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date contributed.

Endowment net assets are reported as net assets with donor restrictions and are stipulated by the donor. They consist of the original principal to be held in perpetuity. Generally, net appreciation, realized and unrealized, unless restricted by the donor, is available for appropriation by the boards of the Foundations for the uses and purposes for which the endowment fund is intended.

(d) Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates in the Foundations' combined financial statements include obligations under gift annuities and charitable remainder trusts, discounts on contributions receivable, allowances for uncollectible contributions, and allowances for uncollectible education loans receivable.

(e) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with original or remaining maturities of three months or less when acquired.

(f) Liquidity

The Foundations regularly monitor liquidity required to meet its operating needs, liabilities, and other obligations as they become due. At December 31, 2018, the Foundations had \$15 million in cash and cash equivalents that were not subject to donor restrictions and could be made available within one year to meet general expenditures.

(g) Concentration of Risk

Financial instruments that potentially subject the Foundations to concentrations of credit risk consist primarily of cash and short-term investments and contributions receivable. The Foundations' investment portfolios are managed by professional investment managers within guidelines established by the councils of trustees or directors of each individual Foundation, which, as a matter of policy, limit the amounts that may be invested in any one issuer. The Foundations also have assets invested in a system-managed pool. The Health System uses investment managers to manage funds within

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guidelines established by the Health System Investment Committee. The Foundations have limited discretion over how assets are allocated within the pool and cede authority over the management of the underlying investments to the Health System Investment Committee. The Foundations have considered the credit risk attributed to contributions receivable and recorded allowances. Generally, amounts are due from large organizations or individuals who have previously given funds to the Foundations. The Foundations maintain cash and cash equivalents on deposit at financial institutions, which at times exceed the limits insured by the Federal Deposit Insurance Corporation. This exposes the Foundations to potential risk of losses in the event the financial institutions become insolvent. The Foundations hold cash balances with high-quality financial institutions, thus considers exposure to credit risk to be minimal.

(h) Income Tax Status

The Foundations are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and are generally not subject to federal income taxes. However, the Foundations are subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which they were granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the combined financial statements taken as a whole.

(i) Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the intent of reducing diversity in reporting practice, reduce complexity, and enhance understandability of not-for-profit (NFP) financial statements. This ASU contains the following key aspects; (A) reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; (B) requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements; (C) requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and (D) retains the options to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Foundations implemented ASU 2016-14 as of January 1, 2018, and adoption resulted in enhanced disclosures about the classification of net assets, expenses, and management of liquid resources. The impact of adoption resulted in enhanced disclosures about the classification of expenses and management of liquid resources. As a result of adoption, temporarily restricted and permanently restricted net asset in the amounts \$127,160,000 and \$44,623,000, respectively, were combined to create net assets with donor restrictions as stated on the combined balance sheet as of December 31, 2017.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to reduce diversity in practice and enhance comparability among entities. The standard provides clarifications to help when evaluating whether to account for a grant, or similar transaction, as a contribution or as an exchange transaction. The standard also clarifies and expands the criteria for determining whether a contribution is conditional. The standard is effective for the Foundations for the year beginning on January 1, 2019. The Foundations are currently evaluating the impact that the adoption of ASU 2018-08 will have on its ongoing financial reporting.

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(j) Subsequent Events

The Foundations evaluated subsequent events after December 31, 2018 through July 25, 2019, which was the date the combined financial statements were available to be issued.

(3) Contributions Receivable, Net

Contributions are recorded as receivables and revenue in the appropriate net asset category based upon donor-imposed restrictions. Contributions receivable due in excess of one year, less an appropriate reserve for uncollectible contributions, are discounted to their present value depending upon the date, duration, and risks associated with the pledge. The discount rates used for the years ended December 31, 2018 and 2017 were of 8.9% and 8.5%, respectively. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

The schedule of contributions receivable at December 31 is as follows (dollars in thousands):

	2018	2017
Receivable in:		
Less than one year	\$ 2,985	9,115
One year to five years	3,699	2,178
Thereafter	373	444
Total contributions receivable	7,057	11,737
Less:		
Discount	(698)	(497)
Allowance for uncollectible contributions	(470)	(661)
Net contributions receivable	\$ 5,889	10,579

The Foundations provide for allowances against contributions receivable for amounts that could become uncollectible. Bad debt expenses related to funds without donor restrictions are included with management and general expenses in the combined statements of activities. Contributions with donor restrictions are recorded net of bad debt losses in the combined statements of activities. The Foundations recorded \$131,000 in bad debt expense for uncollectible contributions without donor restrictions in 2018 and \$0 in 2017. The Foundations recorded \$386,000 in bad debt losses for uncollectible contributions with donor restrictions in 2018 and \$778,000 in bad debt recoveries in 2017.

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The schedule of changes in allowance for doubtful accounts at December 31 is as follows (dollars in thousands):

	2018	2017
Changes in allowance for doubtful accounts:		
Allowance for doubtful accounts, beginning of year	\$ 661	1,450
Net write-offs of uncollectible accounts	(708)	(11)
Provision (recoveries) for bad debts	517	(778)
Allowance for doubtful accounts, end of year	\$ 470	661

(4) Education Loans Receivable

The Providence St. Vincent Medical Foundation (St. Vincent Foundation) has entered into student loan agreements with nursing students at a local university. Under these agreements, St. Vincent Foundation pays for nursing student tuition. If the nursing student is subsequently employed by the Health System, the student loan agreement is forgiven over a three-year period by the St. Vincent Foundation, which represents a forgivable loan made by the foundation to the student. Education loans receivable were \$2,264,000 and \$2,252,000, respectively, at December 31, 2018 and 2017, prior to considerations of any allowances. In the event the nursing students are not employed by the Health System, the student loan agreements become due over five years. An allowance for uncollectible education loans receivable of \$132,000 was recorded at December 31, 2018 and 2017 based on management’s estimates of expected loan defaults. The amount of education loans forgiven in 2018 and 2017 totaled \$824,000 and \$780,000, respectively, and was included with distributions to nonaffiliated organizations in the combined statements of activities.

(5) Fair Value Measurements

Accounting Standards Codification Topic 820, *Fair Value Measurements*, requires a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundations have the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

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The fair value of investments, gift annuities and charitable remainder trusts, and beneficial interest in remainder trusts, which are the amounts reported in the combined balance sheets, are estimated based on quoted market prices or other observable inputs when quoted market process are unavailable. The Foundations' beneficial interest in split-interest agreements held or controlled by a third party is classified as Level 3 as the fair values are based on a combination of Level 1 inputs (observable market values of the trusts' investment portfolios) and significant unobservable inputs (entity-specific estimates of cash flows). The fair values are measured at the present value of the future distributions the Foundations expect to receive over the term of the agreements. The Foundations' investments in real property held within split-interest agreements are classified as Level 3 and are based on appraisals using comparative market data at the date of donation, adjusted for estimated changes to the real estate market at the property location subsequent to the donation date.

St. Vincent Foundation participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the net asset value (NAV) per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the foundation's interest therein. Management believes that the carrying amounts of these financial instruments, provided by the fund managers, are reasonable estimates of fair value.

(a) Investments

The composition of investments is set forth in the following tables (dollars in thousands):

	December 31, 2018	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 4,381	4,381	—	—
Equity securities:				
Domestic	51,300	51,300	—	—
Foreign	5,119	5,119	—	—
Mutual funds	111,715	111,715	—	—
Domestic debt securities:				
State and federal government	3,479	3,389	90	—
Corporate	2,124	—	2,124	—
Common collective trusts	8,331	8,331	—	—
Investments measured using NAV	45,902			
Investments in Health System pool	101,250			
Total investments	\$ 333,601			

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Notes to Combined Financial Statements

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	<u>December 31,</u> <u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Cash and cash equivalents	\$ 3,327	3,327	—	—
Equity securities:				
Domestic	39,958	39,958	—	—
Foreign	3,109	3,109	—	—
Mutual funds	114,300	114,300	—	—
Domestic debt securities:				
State and federal government	1,738	1,647	91	—
Corporate	2,565	—	2,565	—
Common collective trusts	8,886	8,886	—	—
Investments measured using NAV	52,370			
Investments in Health System pool	<u>95,442</u>			
Total investments	\$ <u>321,695</u>			

Investments measured using NAV are as follows at December 31 (dollars in thousands):

	<u>Fair value</u>		<u>Unfunded</u>	<u>Redemption</u>	<u>Redemption</u>
	<u>2018</u>	<u>2017</u>	<u>commitments</u>	<u>frequency</u>	<u>notice period</u>
Hedge funds:					
Atlas Enhanced Fund LP	\$ 7,097	7,409	N/A	Quarterly	65 days
Hutchin Hill Capital Offshore Fund, LTD	—	6,745	N/A	Quarterly	65 days
OZ Overseas Fund II, LTD	—	7,951	N/A	Quarterly	30 days
MW Eureka Fund IV	8,319	8,293	N/A	Monthly	35 days
Paloma International Limited	8,818	—	N/A	Annually	90 days
Private equity funds:					
Hamilton Lane Private Markets Opportunity Fund, LP	1,793	1,204	3,206	N/A	N/A
Ares Private Credit Solutions (Cayman), LP	1,108	694	2,982	N/A	N/A
KKR Americas Fund XII, LP	2,263	91	3,938	N/A	N/A
Commingled funds:					
Origin International Equity Fund LLC	<u>16,504</u>	<u>19,983</u>	<u>N/A</u>	Monthly	28 days
Total	\$ <u>45,902</u>	<u>52,370</u>	<u>10,126</u>		

The following is a summary of the nature of these investments and their associated risks:

Hedge funds are portfolios of investments that use advanced investment strategies, such as long/short equity, credit, relative value, global macro, and fund of hedge funds positions in both domestic and international markets, with the goal of diversifying portfolio risk and generating return. The Foundation's investments in hedge funds include certain funds with provisions that limit the Foundation's ability to access assets invested. These provisions include lockup terms that range up to three years from the subscription date or are continuous and determined as a percent of total

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assets invested. The Foundation is in various stages of the lockup periods dependent on hedge fund and period of initial investments.

Private equity funds make opportunistic investments that are primarily private in nature. These investments cannot be redeemed by the Foundation; rather, the Foundation has committed an amount to invest in the private funds over the respective commitment periods. After the commitment period has ended, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets.

Commingled funds describe a type of fund structure. Commingled funds consist of assets from several accounts that are blended together. Investors in commingled fund investments benefit from economies of scale, which allow for lower trading costs per dollar of investment.

The Foundations invest in an investment pool managed by the Health System. The pooled investments are reported as shares or units in investment funds as opposed to direct interests in the funds' underlying holdings. Participants in the pool have limited discretion over how their assets are allocated among the funds but have no discretion over investment decisions within funds. The Health System pool is valued monthly and in general, participants have the ability to withdraw funds monthly with one month advance notice. The Foundations recognize the changes in interest in the Health System investment pool using a method that is similar to the equity method of accounting. Investment income and losses from the Health System investment pool are allocated between the Health System and the members of the pool, including the Foundations, based upon investment balances.

During the year ending December 31, 2018, the Foundations became a participant in the Health System's long-term strategy investment pool. Through March 31, 2018 and for the year ending December 31, 2017, the Foundations participated in an investment pool structured to diversify portfolio distributions using separate unitized investment funds managed by separate investment managers based on expertise. In 2018, the diversified portfolios were consolidated into an investment pool with a long term strategy portfolio and a short term strategy portfolio. The Foundations participate in the long term strategy portfolio only.

Investments in the Health System pool were distributed as follows at December 31:

	<u>2018</u>
Common collective trust	4.7 %
Debt securities – domestic	22.7
Debt securities – foreign	2.3
Equity securities – domestic	13.4
Equity securities – foreign	5.5
Equity securities – other	5.6
Hedge funds	27.4
Mutual funds	7.9
Venture capital and partnerships	3.2
Other	7.3
	<u>100.0 %</u>

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Investments by fund in the former pool structure were allocated as follows at December 31:

	2017
Bank loans	2.5 %
Hedge funds	7.5
Master limited partnerships	5.5
Private equity	1.0
Public debt	19.9
Public equity	43.4
Private real estate	0.3
Relative value	5.8
Risk parity	2.2
Short-term investment	3.2
Tactical trading	6.9
Treasury inflated protected securities	1.8
	100.0 %

(b) Investment Return

Investment income included in the accompanying combined statements of activities is as follows for the years ended December 31 (dollars in thousands):

	2018	2017
Realized gains on investments, net	\$ 6,659	6,892
Change in net unrealized (losses) gains	(34,546)	30,880
Interest and dividend income	5,329	2,659
Investment fees	(1,032)	—
Investment return, net	\$ (23,590)	40,431

(c) Split-Interest Agreements

The Foundations are beneficiaries of charitable gift annuities and charitable remainder trusts. An actuarial method is used to record these annuities and trusts using discount rates. When a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and current discount rate assumptions, and the remainder is recorded as a contribution. Contribution revenue recognized from charitable gift annuities and charitable remainder trusts is classified as an increase in net assets with donor restrictions based on the existence or absence of time or use restrictions placed by the donor upon the Foundation's interest in the assets. Annuity assets are reported at fair value. The discount rate used by the Foundations in calculating the present value of all split-interest liabilities was 5.0% or 6.9% for the years ended December 31, 2018 and 2017.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

Beneficiary payments are charged to the liability, with periodic adjustments made between the liability and the net assets to record actuarial gains and losses resulting from changes in fair value and life expectancy, and are reflected in the combined statements of activities.

Annuities and charitable remainder trusts consist of the following at December 31 (dollars in thousands):

	2018			
	Charitable gift annuities	Charitable remainder trusts	Beneficial interest in remainder trusts	Total
Assets:				
Cash and investments	\$ 13,721	9,229	6,326	29,276
Total assets	<u>\$ 13,721</u>	<u>9,229</u>	<u>6,326</u>	<u>29,276</u>
Liabilities and net assets:				
Annuities payable	\$ 6,493	5,038	—	11,531
Net assets	<u>7,228</u>	<u>4,191</u>	<u>6,326</u>	<u>17,745</u>
Total liabilities and net assets	<u>\$ 13,721</u>	<u>9,229</u>	<u>6,326</u>	<u>29,276</u>
	2017			
	Charitable gift annuities	Charitable remainder trusts	Beneficial interest in remainder trusts	Total
Assets:				
Cash and investments	\$ 14,093	9,337	5,825	29,255
Total assets	<u>\$ 14,093</u>	<u>9,337</u>	<u>5,825</u>	<u>29,255</u>
Liabilities and net assets:				
Annuities payable	\$ 7,070	5,092	—	12,162
Net assets	<u>7,023</u>	<u>4,245</u>	<u>5,825</u>	<u>17,093</u>
Total liabilities and net assets	<u>\$ 14,093</u>	<u>9,337</u>	<u>5,825</u>	<u>29,255</u>

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

The composition of assets held under split-interest agreements is set forth in the following tables (dollars in thousands):

	<u>December 31,</u> <u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets held under split-interest agreements:				
Gift annuities and charitable remainder trust funds:				
Cash and cash equivalents \$	510	510	—	—
Equity securities	10,795	10,795	—	—
U.S. Treasuries	3,128	3,128	—	—
Fixed income securities	3,812	—	3,812	—
Real property	3,910	—	—	3,910
Beneficial interest in remainder trusts	6,326	—	—	6,326
Other	795	—	795	—
	<hr/>			
Total assets held under split-interest agreements	\$ 29,276			

	<u>December 31,</u> <u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets held under split-interest agreements:				
Gift annuities and charitable remainder trust funds:				
Cash and cash equivalents \$	530	530	—	—
Equity securities	10,694	10,694	—	—
U.S. Treasuries	2,963	2,963	—	—
Fixed income securities	3,714	—	3,714	—
Real property	4,734	—	—	4,734
Beneficial interest in remainder trusts	5,825	—	—	5,825
Other	795	—	795	—
	<hr/>			
Total assets held under split-interest agreements	\$ 29,255			

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

The following table is a rollforward of the statements of the balance sheet amounts for financial instruments classified by the Foundations within Level 3 of the valuation hierarchy defined above (dollars in thousands):

	<u>Level 3</u>
Fair value December 31, 2016	\$ 8,889
Purchases	1,400
Sales	(600)
Unrealized gains, net	<u>870</u>
Fair value December 31, 2017	10,559
Purchases	109
Sales	(548)
Realized loss	(252)
Unrealized gains, net	<u>368</u>
Fair value December 31, 2018	<u>\$ 10,236</u>

(6) Transactions with Affiliates

The affiliated Medical Institutions pay a portion of the operating and payroll expenses on behalf of the Foundations. The affiliated Medical Institutions paid \$3,167,000 and \$2,995,000, respectively, of expenses in 2018 and 2017. These amounts are recorded as support from affiliates and operating expenses in the combined statements of activities.

St. Vincent Foundation received \$1,000,000 during each of the years ended December 31, 2018 and 2017 from affiliated Medical Institutions to support a nursing tuition fund. These amounts are included in support from affiliates in the combined statements of activities.

The gift shops at the affiliated Medical Institutions operate for the benefit of the Foundations. Total gift shop revenues were \$2,148,000 and \$2,143,000, respectively, in 2018 and 2017, and are included in contributions in the combined statements of activities. Total gift shop expenses were \$1,237,000 and \$1,434,000, respectively, in 2018 and 2017, and are included in management and general in the combined statements of activities.

Affiliate payables represent amounts due for the reimbursement of expenses paid by affiliated Medical Institutions. Affiliate receivables represent contributions identified for the Foundations' use but were not yet transferred to the Foundations as of year-end.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

(7) Functional Expenses

The Foundations provide various support services to the Medical Institutions. The costs of program and supporting activities are summarized in the combined statements of activities. The schedule below presents the natural classification detail of expenses by function. Certain costs may have been allocated to more than one support function. The Foundations allocate expenses that are included in salaries and benefits based upon the estimated level of effort incurred by the Foundations' employees.

The schedule of functional expenses for the years ended December 31 is as follows (dollars in thousands):

	<u>2018</u>	<u>2017</u>
Fundraising:		
Salaries and benefits	\$ 1,465	1,549
Purchased services and professional fees	228	186
Supplies	23	30
Interest and amortization, depreciation, taxes and licenses	1	1
Other expenses	<u>1,587</u>	<u>1,366</u>
Total fundraising	<u>3,304</u>	<u>3,132</u>
General and administrative:		
Salaries and benefits	730	291
Purchased services and professional fees	452	649
Supplies	1,461	1,459
Interest and amortization, depreciation, taxes and licenses	17	16
Other expenses	<u>384</u>	<u>405</u>
Total general and administrative	<u>3,044</u>	<u>2,820</u>
Total supporting activities expenses	6,348	5,952
Program related distributions	<u>31,705</u>	<u>27,531</u>
Total expenses and program related distributions	\$ <u><u>38,053</u></u>	<u><u>33,483</u></u>

(8) Net Assets with Donor Restrictions

The Foundations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statements of activities as net assets released from restrictions.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

Net assets with donor restrictions are restricted for the following purposes as of December 31 (dollars in thousands):

		<u>2018</u>	<u>2017</u>
Donor-restricted endowments subject to spending policy and appropriation to support the following purposes:			
Endowment:	Purpose:		
Chair for Medical Ethics	Healthcare ethics support	\$ 6,057	6,037
Center for Medically Fragile Children Endowment	Medical care and education	4,726	3,481
Harder Chair	Cancer research	3,572	3,572
Bain Krantz Memorial Fund	Older adult services	3,153	3,153
Judith Hartmann Endowed Fund	Cancer research	3,112	3,042
Walter J Urba Chair Cancer Research	Cancer research	2,972	2,972
Brill Endowment	Medical education	2,478	2,473
Bed Fund Endowment	Children's services	2,415	2,407
Robert Franz Endowed Chair (formerly Robert Franz Cancer Fund)	Cancer research	2,059	1,991
Family Medicine Residency Endowment	Medical education	2,012	176
Heart and Vascular Research Endowment	Heart research	2,001	2,001
Chair of Graduate Medical Education	Medical education	1,923	1,923
Swindell Center	Swindell Resource Center	1,625	1,054
Cancer Research Institute Infectious Disease	Infectious disease education	1,588	561
Providence Willamette Falls Endowment	General purpose	781	781
Maybelle Clark Macdonald Endowment	Radiation and oncology	647	647
Hospice Endowment	Hospice programs	626	626
Children's Endowment	Children's services	578	578
Brown Memorial	Medically fragile children	539	438
Child Center Medical Dental Clinic	Children's dental services	526	544
Mother Gamelin	Charity care	458	441
Friedli Cancer Research Fund	Cancer research	451	451
Other Endowments	Various	5,626	5,274
		<u>49,925</u>	<u>44,623</u>
Subject to expenditure for specified purposes:			
Program support		137,735	106,946
Charity care		951	861
Capital assets		2,398	2,260
Split-interest agreements, net	Various	17,745	17,093
		<u>158,829</u>	<u>127,160</u>
Total net assets with donor restrictions		<u>\$ 208,754</u>	<u>171,783</u>

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

(9) Endowments

The Foundations' endowments consist of 59 funds established for a variety of purposes. These endowments include both donor-restricted endowment funds and funds designated by the respective Foundations' Board of Directors to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundations' management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the state of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing donor-restricted endowment funds, the Foundations consider 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 Foundations have interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent management required under the law. Also, in accordance with UPMIFA, the Foundations consider the following factors in making determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundations and the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundations
- The investment policies of the Foundations

Endowment net asset composition by type of fund as of December 31 is as follows (dollars in thousands):

	2018		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	59,068	59,068
Board-designated endowment funds	11,409	—	11,409
Total	\$ 11,409	59,068	70,477

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

	2017		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	62,100	62,100
Board-designated endowment funds	12,210	—	12,210
Total	<u>\$ 12,210</u>	<u>62,100</u>	<u>74,310</u>

The Board of Directors has designated net assets without donor restrictions for the following purposes as follows (dollars in thousands):

	December 31	
	2018	2017
General use for operations of Medical Centers	\$ 5,411	5,519
Medical education	2,170	2,498
Other	3,828	4,193
Total	<u>\$ 11,409</u>	<u>12,210</u>

Changes in endowment net assets are as follows (dollars in thousands):

	Without donor restrictions	With donor restrictions	Total
Balance as of December 31, 2016	\$ 10,876	47,553	58,429
Investment return, net	1,393	8,750	10,143
Contributions and other	—	7,203	7,203
Appropriated for expenditure	(59)	(1,406)	(1,465)
Balance as of December 31, 2017	12,210	62,100	74,310
Investment return, net	(491)	(5,158)	(5,649)
Contributions and other	(1)	3,690	3,689
Appropriated for expenditure	(309)	(1,564)	(1,873)
Balance as of December 31, 2018	<u>\$ 11,409</u>	<u>59,068</u>	<u>70,477</u>

(a) 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 requires the Foundations to retain as a fund of perpetual duration. The Foundations had no donor-restricted endowment funds with deficiencies of this nature as of December 31, 2018 or 2017.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Notes to Combined Financial Statements

December 31, 2018 and 2017

Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the risk-free rate of return, while assuming a moderate level of investment risk.

(b) Return Objectives and Risk Parameters

The Foundations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundations must hold in perpetuity or for a donor-specified period.

(c) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundations rely 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 Foundations target a diversified asset allocation that places a greater emphasis on fixed income investments with a portion also designated for equity-based investments.

Substantially all investments of the Foundations held for endowment are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundations have selected a flexible spending policy for their endowment funds that is based on a multiyear moving average of the fair value of the endowments. During the years ended December 31, 2018 and 2017, the Foundations were authorized to spend between 5% and 6%, which is reflective of the long-term expected rate return on endowment assets. Spending is charged against endowment earnings, which are reported in net assets with donor restrictions in the accompanying combined balance sheets, and expenditures are reported as an expense without donor restrictions when incurred.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Schedule – Combining Balance Sheet Information

December 31, 2018

(Dollars in thousands)

	Seaside Hospital Foundation	Portland Medical Center Foundation	St. Vincent Medical Center Foundation	Willamette Falls Medical Foundation	Children's Health Foundation	Milwaukie Foundation	Hood River Memorial Hospital Foundation	Newberg Health Foundation	Benedictine Nursing Center Foundation	Community Health Foundation	Total
Assets											
Current assets:											
Cash and cash equivalents	\$ 904	10,435	4,944	543	821	28	880	1,865	316	1,071	21,807
Contributions receivable, net of allowance	98	274	1,691	22	235	57	17	43	21	57	2,515
Educational loans receivable, net of allowance	—	—	499	—	—	—	—	—	—	—	499
Affiliate receivables	2	—	2	9	1,022	1	—	—	43	127	1,206
Other current assets	17	265	199	13	220	8	34	6	—	9	771
Total current assets	1,021	10,974	7,335	587	2,298	94	931	1,914	380	1,264	26,798
Noncurrent assets:											
Investments	673	116,137	167,862	11,311	19,548	5,843	3,081	1,020	2,358	5,768	333,601
Contributions receivable, net of current portion	131	273	2,707	—	202	24	1	36	—	—	3,374
Gift annuity and charitable remainder trusts	47	3,621	10,028	111	3,924	797	615	525	254	3,028	22,950
Beneficial interest in remainder trusts	—	2,063	2,212	—	1,270	—	528	—	8	245	6,326
Education loans receivable, net of current portion and allowances	—	—	1,633	—	—	—	—	—	—	—	1,633
Other long-term assets	151	820	431	—	281	5	56	—	—	—	1,744
Total noncurrent assets	1,002	122,914	184,873	11,422	25,225	6,669	4,281	1,581	2,620	9,041	369,628
Total assets	\$ 2,023	133,888	192,208	12,009	27,523	6,763	5,212	3,495	3,000	10,305	396,426
Liabilities and Net Assets											
Current liabilities:											
Accounts payable	\$ —	16	16	—	145	1	4	7	—	2	191
Affiliate payables	5	4,956	205	10	1,015	1	201	2	118	127	6,640
Current obligations under gift annuities	1	138	353	3	192	15	3	36	13	65	819
Total current liabilities	6	5,110	574	13	1,352	17	208	45	131	194	7,650
Noncurrent liabilities:											
Noncurrent obligations under gift annuities and charitable remainder trusts	28	1,537	5,789	52	1,394	311	19	267	95	1,220	10,712
Total liabilities	34	6,647	6,363	65	2,746	328	227	312	226	1,414	18,362
Net assets:											
Without donor restrictions	688	28,835	116,696	6,106	6,342	3,269	3,542	329	1,178	2,325	169,310
With donor restrictions	1,301	98,406	69,149	5,838	18,435	3,166	1,443	2,854	1,596	6,566	208,754
Total net assets	1,989	127,241	185,845	11,944	24,777	6,435	4,985	3,183	2,774	8,891	378,064
Total liabilities and net assets	\$ 2,023	133,888	192,208	12,009	27,523	6,763	5,212	3,495	3,000	10,305	396,426

See accompanying independent auditors' report.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Schedule – Combining Balance Sheet Information

December 31, 2017

(Dollars in thousands)

	Seaside Hospital Foundation	Portland Medical Center Foundation	St. Vincent Medical Center Foundation	Willamette Falls Medical Foundation	Child Center Foundation	Milwaukie Foundation	Hood River Memorial Hospital Foundation	Newberg Health Foundation	Benedictine Nursing Center Foundation	Community Health Foundation	Total
Assets											
Current assets:											
Cash and cash equivalents	\$ 116	3,771	5,605	1,023	1,046	163	703	1,047	224	385	14,083
Contributions receivable, net of allowance	41	306	7,115	28	417	94	22	352	23	56	8,454
Educational loans receivable, net of allowance	—	—	487	—	—	—	—	—	—	—	487
Affiliate receivables	—	—	48	—	—	—	—	1	—	—	49
Other current assets	17	333	164	16	220	9	32	5	—	9	805
Total current assets	174	4,410	13,419	1,067	1,683	266	757	1,405	247	450	23,878
Noncurrent assets:											
Investments	716	94,008	178,927	10,745	20,115	4,176	3,278	1,085	2,509	6,136	321,695
Contributions receivable, net of current portion	—	486	1,418	—	184	30	2	5	—	—	2,125
Gift annuity and charitable remainder trusts	45	3,574	10,118	108	4,275	826	615	533	205	3,131	23,430
Beneficial interest in remainder trusts	—	1,838	2,050	—	1,179	—	508	—	8	242	5,825
Education loans receivable, net of current portion and allowances	—	—	1,633	—	—	—	—	—	—	—	1,633
Other long-term assets	151	21	435	—	266	5	56	—	—	—	934
Total noncurrent assets	912	99,927	194,581	10,853	26,019	5,037	4,459	1,623	2,722	9,509	355,642
Total assets	\$ 1,086	104,337	208,000	11,920	27,702	5,303	5,216	3,028	2,969	9,959	379,520
Liabilities and Net Assets											
Current liabilities:											
Accounts payable	\$ 3	8	35	—	117	—	—	1	—	7	171
Affiliate payables	—	275	—	—	82	6	—	—	—	124	487
Current obligations under gift annuities	1	133	347	3	193	14	2	35	32	103	863
Total current liabilities	4	416	382	3	392	20	2	36	32	234	1,521
Noncurrent liabilities:											
Noncurrent obligations under gift annuities and charitable remainder trusts	27	1,607	5,864	52	1,614	332	21	278	48	1,456	11,299
Total liabilities	31	2,023	6,246	55	2,006	352	23	314	80	1,690	12,820
Net assets:											
Without donor restrictions	616	34,983	133,964	6,156	8,017	3,471	3,825	401	1,319	2,165	194,917
With donor restrictions	439	67,331	67,790	5,709	17,679	1,480	1,368	2,313	1,570	6,104	171,783
Total net assets	1,055	102,314	201,754	11,865	25,696	4,951	5,193	2,714	2,889	8,269	366,700
Total liabilities and net assets	\$ 1,086	104,337	208,000	11,920	27,702	5,303	5,216	3,028	2,969	9,959	379,520

See accompanying independent auditors' report.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Schedule – Combining Statement of Activities Information

December 31, 2018

(Dollars in thousands)

	Seaside Hospital Foundation	Portland Medical Center Foundation	St. Vincent Medical Center Foundation	Willamette Falls Medical Foundation	Children's Health Foundation	Milwaukie Foundation	Hood River Memorial Hospital Foundation	Newberg Health Foundation	Benedictine Nursing Center Foundation	Community Health Foundation	Total
Changes in net assets without donor restrictions:											
Revenues and gains (losses):											
Contributions	\$ 165	3,058	1,928	140	1,057	126	96	172	136	3,051	9,929
Investment return, net	(39)	(5,839)	(11,212)	(69)	(645)	(61)	(169)	(21)	(69)	(281)	(18,405)
Change in value of gift annuities and charitable remainder trusts	1	20	(28)	4	(136)	(19)	1	2	2	201	48
Total revenues and gains (losses) without donor restrictions	127	(2,761)	(9,312)	75	276	46	(72)	153	69	2,971	(8,428)
Support from affiliates	206	612	1,599	205	381	297	126	234	140	367	4,167
Net assets released from restrictions	167	11,576	3,376	170	1,390	282	152	232	35	211	17,591
Total revenues, gains, and other support without donor restrictions	500	9,427	(4,337)	450	2,047	625	206	619	244	3,549	13,330
Expenses:											
Fundraising	86	806	391	192	645	227	126	283	75	473	3,304
Management and general	133	789	1,170	146	217	132	83	93	62	219	3,044
Total expenses	219	1,595	1,561	338	862	359	209	376	137	692	6,348
Program related distributions:											
Distributions to affiliates for operations	187	10,140	7,385	98	1,558	286	128	3	247	464	20,496
Distributions to affiliates for capital	22	3,589	2,951	9	435	175	125	308	—	2,196	9,810
Distributions to nonaffiliate organizations	—	251	1,022	51	—	7	27	4	—	37	1,399
Total distributions	209	13,980	11,358	158	1,993	468	280	315	247	2,697	31,705
Total expenses and program related distributions	428	15,575	12,919	496	2,855	827	489	691	384	3,389	38,053
Other activities and transfers	—	—	(12)	(4)	(867)	—	—	—	(1)	—	(884)
Increase (decrease) in net assets without donor restrictions	72	(6,148)	(17,268)	(50)	(1,675)	(202)	(283)	(72)	(141)	160	(25,607)
Net assets without donor restrictions, beginning of year	616	34,983	133,964	6,156	8,017	3,471	3,825	401	1,319	2,165	194,917
Net assets without donor restrictions, end of year	\$ 688	28,835	116,696	6,106	6,342	3,269	3,542	329	1,178	2,325	169,310
Changes in net assets with donor restrictions:											
Contributions, net	\$ 983	44,460	6,383	303	2,402	2,013	184	816	140	732	58,416
Investment return, net	(4)	(2,067)	(1,871)	(4)	(940)	(61)	(27)	(44)	(81)	(86)	(5,185)
Change in value of gift annuities and charitable remainder trusts	—	242	57	—	93	8	20	1	1	27	449
Net assets released from restrictions	(167)	(11,576)	(3,376)	(170)	(1,390)	(282)	(152)	(232)	(35)	(211)	(17,591)
Other activities and transfers	50	16	166	—	591	8	50	—	1	—	882
Increase in net assets with donor restrictions	862	31,075	1,359	129	756	1,686	75	541	26	462	36,971
Net assets with donor restrictions, beginning of year	439	67,331	67,790	5,709	17,679	1,480	1,368	2,313	1,570	6,104	171,783
Net assets with donor restrictions, end of year	\$ 1,301	98,406	69,149	5,838	18,435	3,166	1,443	2,854	1,596	6,566	208,754
Increase (decrease) in total net assets	\$ 934	24,927	(15,909)	79	(919)	1,484	(208)	469	(115)	622	11,364
Net assets, beginning of year	1,055	102,314	201,754	11,865	25,696	4,951	5,193	2,714	2,889	8,269	366,700
Net assets, end of year	\$ 1,989	127,241	185,845	11,944	24,777	6,435	4,985	3,183	2,774	8,891	378,064

See accompanying notes to combined financial statements.

PROVIDENCE HEALTH & SERVICES – OREGON FOUNDATIONS

Schedule – Combining Statement of Activities Information

December 31, 2017

(Dollars in thousands)

	Seaside Hospital Foundation	Portland Medical Center Foundation	St. Vincent Medical Center Foundation	Willamette Falls Medical Foundation	Child Center Foundation	Milwaukie Foundation	Hood River Memorial Hospital Foundation	Newberg Health Foundation	Benedictine Nursing Center Foundation	Community Health Foundation	Total
Changes in net assets without donor restrictions:											
Revenues and gains (losses):											
Contributions	\$ 236	647	1,423	153	1,139	62	130	143	80	334	4,347
Investment return, net	66	6,508	21,549	694	1,418	417	339	29	113	414	31,547
Change in value of gift annuities and charitable remainder trusts	3	185	254	9	33	(1)	8	23	168	(5)	677
Total revenues and gains without donor restrictions	305	7,340	23,226	856	2,590	478	477	195	361	743	36,571
Support from affiliates	179	310	1,534	165	735	291	133	245	63	340	3,995
Net assets released from restrictions	290	7,902	3,100	229	642	80	154	326	50	698	13,471
Total revenues, gains, and other support without restrictions	774	15,552	27,860	1,250	3,967	849	764	766	474	1,781	54,037
Expenses:											
Fundraising	210	515	309	145	862	185	121	265	48	472	3,132
Management and general	82	881	1,109	122	111	113	91	76	17	218	2,820
Total expenses	292	1,396	1,418	267	973	298	212	341	65	690	5,952
Program related distributions:											
Distributions to affiliates for operations	45	7,262	7,039	118	1,839	119	188	71	183	378	17,242
Distributions to affiliates for capital	397	4,300	1,955	39	310	77	35	250	—	1,131	8,494
Distributions to nonaffiliate organizations	1	505	1,090	21	—	2	36	2	—	138	1,795
Total distributions	443	12,067	10,084	178	2,149	198	259	323	183	1,647	27,531
Total expenses and program related distributions	735	13,463	11,502	445	3,122	496	471	664	248	2,337	33,483
Other activities and transfers	—	1	—	(4)	(2)	—	(1)	—	—	—	(6)
Increase (decrease) in net assets without donor restrictions	39	2,090	16,358	801	843	353	292	102	226	(556)	20,548
Net assets without donor restrictions, beginning of year	577	32,893	117,606	5,355	7,174	3,118	3,533	299	1,093	2,721	174,369
Net assets without donor restrictions, end of year	\$ 616	34,983	133,964	6,156	8,017	3,471	3,825	401	1,319	2,165	194,917
Changes in net assets with donor restrictions:											
Contributions, net	\$ 234	34,334	7,268	716	2,775	520	289	656	95	1,119	48,006
Investment return, net	11	2,425	3,636	552	1,676	134	13	80	156	201	8,884
Change in value of gift annuities and charitable remainder trusts	—	322	590	—	537	26	144	3	—	(93)	1,529
Net assets released from restrictions	(290)	(7,902)	(3,100)	(229)	(642)	(80)	(154)	(326)	(50)	(698)	(13,471)
Other activities and transfers	—	—	—	4	1	—	1	(1)	1	—	6
Increase (decrease) in net assets with donor restrictions	(45)	29,179	8,394	1,043	4,347	600	293	412	202	529	44,954
Net assets with donor restrictions, beginning of year	484	38,152	59,396	4,666	13,332	880	1,075	1,901	1,368	5,575	126,829
Net assets with donor restrictions, end of year	\$ 439	67,331	67,790	5,709	17,679	1,480	1,368	2,313	1,570	6,104	171,783
(Decrease) increase in total net assets	\$ (6)	31,269	24,752	1,844	5,190	953	585	514	428	(27)	65,502
Net assets, beginning of year	1,061	71,045	177,002	10,021	20,506	3,998	4,608	2,200	2,461	8,296	301,198
Net assets, end of year	\$ 1,055	102,314	201,754	11,865	25,696	4,951	5,193	2,714	2,889	8,269	366,700

See accompanying notes to combined financial statements.