



**ENDOWMENT FOR HEALTH, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

September 30, 2018 and 2017

With Independent Auditor's Report

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

September 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Endowment for Health, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Endowment for Health, Inc. and Subsidiary (a non-profit organization), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Endowment for Health, Inc. and Subsidiary as of September 30, 2018 and 2017, and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the accompanying statements is presented for purposes of additional analysis, rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated financial statements. Such consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
January 28, 2019

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

September 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 579,281	\$ 814,736
Investments	83,823,227	80,906,700
Mission related investments	2,350,000	2,350,000
Prepaid federal excise tax	16,656	6,303
Other prepaid expenses	<u>38,988</u>	<u>32,376</u>
Total assets	<u>\$ 86,808,152</u>	<u>\$ 84,110,115</u>

LIABILITIES AND NET ASSETS

Grants payable	\$ 918,745	\$ 1,128,591
Accounts payable and accrued expenses	58,075	59,278
Deferred tax liability	<u>259,004</u>	<u>204,600</u>
Total liabilities	1,235,824	1,392,469
Unrestricted net assets	<u>85,572,328</u>	<u>82,717,646</u>
Total liabilities and net assets	<u>\$ 86,808,152</u>	<u>\$ 84,110,115</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Consolidated Statements of Activities

Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in unrestricted net assets		
Revenue and net investment income		
Income on investments		
Interest and dividends	\$ 1,122,912	\$ 1,217,576
Investment management and custodial fees	(159,956)	(147,621)
Realized gain on investments	2,158,810	2,571,115
Unrealized gain on investments	3,626,919	3,895,766
Grant income	<u>49,950</u>	<u>67,000</u>
Total revenue and net investment income	<u>6,798,635</u>	<u>7,603,836</u>
Expenses		
Program services		
Grant expense	2,233,948	2,236,145
Salaries and benefits	719,713	718,601
Professional services	350,032	401,399
Building and related expenses	45,909	37,824
Program support	81,590	64,593
Miscellaneous expenses	<u>32,486</u>	<u>32,720</u>
Total program services	<u>3,463,678</u>	<u>3,491,282</u>
Management and general		
Salaries and benefits	256,145	249,931
Professional services	89,004	53,717
Building and related expenses	15,321	12,625
Administrative support	9,818	21,180
General operating expenses	24,279	32,872
Federal excise tax expense	<u>85,708</u>	<u>102,705</u>
Total management and general	<u>480,275</u>	<u>473,030</u>
Total expenses	<u>3,943,953</u>	<u>3,964,312</u>
Change in unrestricted net assets	<u>2,854,682</u>	<u>3,639,524</u>
Unrestricted net assets, beginning of year	<u>82,717,646</u>	<u>79,078,122</u>
Unrestricted net assets, end of year	<u>\$ 85,572,328</u>	<u>\$ 82,717,646</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 2,854,682	\$ 3,639,524
Adjustments to reconcile change in net assets to net cash used by operating activities		
Realized gain on investments	(2,158,810)	(2,571,115)
Unrealized gain on investments	(3,626,919)	(3,895,766)
Changes in operating assets and liabilities		
(Increase) decrease in		
Prepaid federal excise tax	(10,353)	14,520
Other prepaid expenses	(6,612)	(13,277)
(Decrease) increase in		
Grants payable	(209,846)	(193,229)
Accounts payable and accrued expenses	(1,203)	(9,526)
Deferred tax liability	<u>54,404</u>	<u>58,436</u>
Net cash used by operating activities	<u>(3,104,657)</u>	<u>(2,970,433)</u>
Cash flows from investing activities		
Proceeds from sale and redemption of investments	11,814,630	13,162,697
Purchase of investments	<u>(8,945,428)</u>	<u>(10,250,469)</u>
Net cash provided by investing activities	<u>2,869,202</u>	<u>2,912,228</u>
Net decrease in cash and cash equivalents	(235,455)	(58,205)
Cash and cash equivalents, beginning of year	<u>814,736</u>	<u>872,941</u>
Cash and cash equivalents, end of year	<u>\$ 579,281</u>	<u>\$ 814,736</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

Nature of Activities

Endowment for Health, Inc. (the Foundation) is a state-wide, private, non-profit foundation dedicated to improving the health of the people of New Hampshire, especially those who are vulnerable and underserved.

The Foundation was established in 1999 as a result of the sale of Blue Cross Blue Shield New Hampshire to Anthem Insurance. It was created for the purpose of improving the health and reducing the burden of illness of the people of New Hampshire. It accomplishes this purpose by awarding grants, making mission investing/program-related investments, and providing technical and financial assistance to health-related programs, organizations and projects benefiting the people of New Hampshire. The Foundation's spending policy requires a percentage of these funds be distributed annually in accordance with the Internal Revenue Code requirements.

Since 2001, the Foundation has awarded more than 1,300 grants, totaling more than \$50 million, to support a wide range of health-related programs and projects in New Hampshire. The major source of the Foundation's revenue is investment income.

In July 2007, Health Strategies of New Hampshire, Inc. (Health Strategies), the Foundation's wholly-owned subsidiary, was created in order to conduct initiatives, projects, programs, research and data collection and analysis, independently and with others, to address key issues and public policies that promote the health of New Hampshire residents. The major source of its revenue is grant income.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying financial statements include the consolidated financial statements of the Foundation and Health Strategies. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Foundation and its subsidiary have different fiscal years. The Foundation's fiscal year is October 1 to September 30 and Health Strategies' fiscal year is July 1 to June 30.

For the September 30, 2018 and 2017 consolidated financial statements, Health Strategies presents the twelve months October 1, 2017 to September 30, 2018 and October 1, 2016 to September 30, 2017, respectively.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Foundation and its subsidiary consider cash equivalents to consist of interest-bearing, demand bank accounts.

Money market accounts and other highly liquid debt securities held by its investment managers are considered investments and not cash equivalents, since it is the Foundation's Board's intention to invest these funds for long-term purposes.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position as provided by investment managers. Other investments, for which no such quotations or valuations are readily available, are carried at fair value as estimated by management using audited or unaudited values provided by external investment managers. The Foundation reviews and evaluates the valuations provided by the investment managers and believes that these valuations are a reasonable estimate of fair value, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed.

Investments in general are exposed to various risks, such as interest rates, credit, and overall market volatility. As such, it is reasonably possible that changes could materially affect the amounts reported in the statements of financial position.

Grants

The Foundation recognizes a liability and corresponding expense for unconditional grants in the amount expected to be paid when grants are approved by the Board of Directors and the award is communicated to the grantee. Such liabilities are not recorded at their present values using a discount rate commensurate with the risks involved because the present value is not materially less than the amounts expected to be paid. Conditional grants approved by the Board of Directors, if any, are recorded when the recipient organizations meet the conditions.

Income and Excise Taxes

The Foundation and its subsidiary are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Code imposes a federal excise tax equal to 2% (reduced to 1% if certain requirements are met) on its net investment income (principally interest, dividends and net realized capital gains less expenses incurred in the production of investment income). The income tax filings for the tax years before 2014 are no longer subject to examination by federal and state taxing authorities.

The Foundation has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification 740-10-25, *Income Taxes - Overall - Recognition*, related to uncertain tax positions. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and management and general.

Subsequent Events

The Foundation has considered events occurring through January 28, 2019, which was the date that the financial statements were available to be issued.

2. Investments

Investments consisted of the following at September 30:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Invested cash equivalents	\$ 2,679,804	\$ 2,679,804	\$ 3,710,736	\$ 3,710,736
Mutual funds				
Equities	20,239,296	30,480,248	24,924,359	34,069,593
Fixed income securities	4,620,158	4,427,796	3,620,158	3,606,372
International equity funds	5,332,227	6,052,763	5,119,940	5,984,941
Fixed income funds	5,166,425	5,729,759	5,166,425	5,502,832
Flexible capital *	20,057,633	23,169,193	17,075,433	19,226,457
Public real assets	-	-	17,699	17,699
Non-marketable investments				
Private equity	3,600,805	5,708,731	2,787,019	3,700,823
Private real assets	<u>4,859,966</u>	<u>5,574,933</u>	<u>4,844,937</u>	<u>5,087,247</u>
	<u>\$ 66,556,314</u>	<u>\$ 83,823,227</u>	<u>\$ 67,266,706</u>	<u>\$ 80,906,700</u>

* Flexible capital is an alternative investment vehicle that uses pooled funds to employ numerous different strategies such as long-term and short-term equities to earn active return, or alpha, for their investors.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

Non-Marketable Investments

Private Equities

During the years ended September 30, 2018 and 2017, the Foundation contributed \$50,000 and \$60,000, respectively, to increase its interest in a private equity investment, Legacy Venture VI, LLC, a diversified portfolio of capital partnerships. The Foundation's total commitment is \$1,000,000 for a 0.4997% interest. As of September 30, 2018 and 2017, the Foundation has invested \$960,000 and \$910,000, and received \$301,353 and \$148,177 in return of capital, respectively.

During the years ended September 30, 2018 and 2017, the Foundation contributed \$200,000 and \$230,000, respectively, to increase its interest in a private equity investment, Legacy Venture VII, LLC, a diversified portfolio of capital partnerships. The Foundation's total commitment is \$1,000,000 for a 0.3949% interest. As of September 30, 2018 and 2017, the Foundation has invested \$880,000 and \$680,000, respectively, and received \$24,253 and \$10,344 in return of capital, respectively.

During the years ended September 30, 2018 and 2017, the Foundation contributed \$240,000 and \$110,000, respectively, to increase its interest in a private equity investment, Legacy Venture VIII, LLC, a diversified portfolio of capital partnerships. The Foundation's total commitment is \$1,000,000 for a 0.3417% interest. As of September 30, 2018 and 2017, the Foundation has invested \$380,000 and \$140,000, respectively.

During the year ended September 30, 2018, the Foundation committed to an interest in a private equity investment, Legacy Venture IX, LLC, a diversified portfolio of capital partnerships. The Foundation's committed capital is \$1,000,000 for a 0.3200% interest. As of September 30, 2018, the Foundation has not made any investment.

During the years ended September 30, 2018 and 2017, the Foundation contributed \$126,912 and \$114,221, respectively, to increase its interest in a private equity partnership, Borealis Granite Fund, L.P. The Foundation's total commitment is \$1,269,125 for a 5.9672% interest. As of September 30, 2018 and 2017, the Foundation has invested \$1,154,903 and \$1,027,991, respectively, and received \$368,492 and \$352,451 in return of capital, respectively.

During the years ended September 30, 2018 and 2017, the Foundation contributed \$201,628 and \$250,000, respectively, to increase its interest in a limited partnership, RCP Fund IX, LP. The Foundation's total commitment is \$1,000,000 for a 0.2900% interest. As of September 30, 2018 and 2017, the Foundation has invested \$701,628 and \$500,000, respectively, and received \$51,628 in return of capital as of September 30, 2018.

During the years ended September 30, 2018 and 2017, the Foundation contributed \$150,000 and \$40,000, respectively, to obtain an interest in a limited partnership, RCP Fund XI, LP. The Foundation's total commitment is \$1,000,000 for a 0.3200% interest. As of September 30, 2018 and 2017, the Foundation has invested \$190,000 and \$40,000, respectively.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

During the years ended September 30, 2018, the Foundation contributed \$80,000 to obtain an interest in a limited partnership, RCP Fund XII, LP. The Foundation's committed capital is \$1,000,000 for a 0.2617% interest. As of September 30, 2018, the Foundation has invested \$80,000.

The Foundation has committed to an interest in RCP Fund XIII, LP, a limited partnership. The Foundation's committed capital is \$1,000,000 for a 0.2366% interest. As of September 30, 2018, the Foundation has not made any investment.

Private Real Assets

During the year ended September 30, 2018, the Foundation contributed \$398,482 to obtain an interest in a private energy resource equity investment, NGP Natural Resources XII, LP, a limited partnership. The Foundation's committed capital is \$2,000,000 for a 0.1000% interest. As of September 30, 2018, the Foundation has invested \$398,482.

During the years ended September 30, 2018 and 2017, the Foundation contributed \$444,016 and \$671,457, respectively, to increase its interest in a private energy equity investment, Juniper Capital II, LP, a limited partnership. The Foundation's committed capital is \$1,500,000 for a 0.2998% interest. As of September 30, 2018 and 2017, the Foundation has invested \$1,115,473 and \$671,457, respectively.

During the year ended September 30, 2018, the Foundation contributed \$87,191 to obtain an interest in a private energy equity investment, Juniper Capital III, LP, a limited partnership. The Foundation's committed capital is \$1,000,000 for a 0.1476% interest. As of September 30, 2018, the Foundation has invested \$87,191.

The Foundation has committed to interest in Lyme Forest Fund V, FB, LP, a limited partnership. The Foundation's committed capital is \$350,000 for a 0.11667% interest. As of September 30, 2018, the Foundation has not made any investment.

The Foundation has invested \$3,000,000, its total commitment, for a 0.5450% interest in a private real asset investment, BPG Investment Partnership VIIA, LP, a limited partnership which invests in commercial real estate. As of September 30, 2018 and 2017, \$1,184,525 and \$543,616 of capital, respectively, has been returned to the Foundation.

The Foundation has invested in a private real asset investment, BPG Investment Partnership VIIIA, LP, a limited partnership which invests in commercial real estate. The Foundation's original committed capital was \$3,000,000 for a 0.5450% interest. The partnership amended the committed capital to \$1,870,589 on July 1, 2013. As of September 30, 2018 and 2017, the Foundation has invested \$1,870,589 and received \$1,870,589 and \$1,326,838 in return of capital, respectively.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

The Foundation has invested in a private real estate investment, AG Realty Fund IX, LP, a limited partnership. During the years ended September 30, 2018 and 2017, the Foundation contributed \$375,000 and \$388,345, respectively. The Foundation's committed capital is \$2,000,000 for a 0.15% interest. As of September 30, 2018 and 2017, the Foundation has invested \$1,548,345 and \$1,173,345, respectively and received \$160,000 in return of capital as of September 30, 2018.

The Foundation has committed to an interest in a private real estate investment, AG Realty Value Fund X, LP, a limited partnership. The Foundation's committed capital is \$1,000,000 for a 0.04000% interest. As of September 30, 2018, the Foundation has not made any investment.

During the year ended September 30, 2018, the Foundation contributed \$115,000 to a private real estate investment, GEM Realty Fund VI, LP, a limited partnership. The Foundation's committed capital is \$1,000,000 for a 0.0986% interest. As of September 30, 2018, the Foundation has invested \$115,000 and received \$60,000 in return of capital.

3. Mission Related Investments

In July 2004 (renewed in July 2012), July 2006 (renewed in July 2014), and August 2017, the Foundation loaned the New Hampshire Community Loan Fund, Inc. (NHCLF) \$1,000,000, \$350,000, and \$1,000,000, respectively. The purpose of these loans is to assist the NHCLF to provide access to financing and support for people with low and moderate income. Under the terms of the agreements, NHCLF pays the Foundation based on interest annual rates between 3% and 5%. The principal is due and payable in July 2022, July 2019, and August 2027, respectively.

4. Fair Value Measurements

U.S. GAAP establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

Fair values of assets measured at fair value on a recurring basis are summarized below based on input level:

	<u>Total</u>	<u>Level 1</u>
<u>September 30, 2018</u>		
Investments		
Invested cash equivalents	\$ 2,679,804	\$ 2,679,804
Mutual funds		
Equities	30,480,248	30,480,248
Fixed income securities	<u>4,427,796</u>	<u>4,427,796</u>
Total assets at fair value	37,587,848	<u>\$ 37,587,848</u>
Investments measured at net asset value (NAV)	<u>46,235,379</u>	
Total	<u>\$ 83,823,227</u>	
	<u>Total</u>	<u>Level 1</u>
<u>September 30, 2017</u>		
Investments		
Invested cash equivalents	\$ 3,710,736	\$ 3,710,736
Mutual funds		
Equities	34,069,593	34,069,593
Fixed income securities	<u>3,606,372</u>	<u>3,606,372</u>
Total assets at fair value	41,386,701	<u>\$ 41,386,701</u>
Investments measured at NAV	<u>39,519,999</u>	
Total	<u>\$ 80,906,700</u>	

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

The following table sets forth a summary of the Organization's investments valued using a reported NAV at September 30, 2018:

<u>Investment</u>	Fair Value Estimated Using NAV Per Share at September 30		<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
	<u>2018</u>	<u>2017</u>			
Weatherlow Offshore Fund, Ltd	\$ -	\$ 521,454	Quarterly	N/A	65 days
Forester Diversified, Ltd.	10,206,243	9,834,354	Annually	N/A	95 days
Steben Futures Portfolio Fund, LP	1,724,953	1,578,872	Monthly	Minimum account size following redemptions: \$1 million	5 days
Convexity Capital	-	17,699	Quarterly	Limited to 1/3 redemption each year	60 days
Kiltearn Global Equity Fund	3,568,291	3,540,923	Monthly	N/A	6 days
Highclere Intl SMID Fund	2,484,472	2,444,018	Monthly	N/A	6 days
Colchis P2P Income Fund	3,591,739	3,379,456	Quarterly	N/A	120 days
Stoneridge Lending	2,138,020	2,123,376	Quarterly	Share repurchase program: 5% - 35% of fund's outstanding shares at NAV	10 days
Anchorage Capital Partners Offshore, Ltd.	1,866,179	1,750,000	Quarterly	Redemptions on quarter- end closest to anniversary. 3% redemption fee if < 2 years	90 days
Davidson Kemper Institutional Partners, LP	3,630,736	-	Quarterly	Redemption max: 3 consecutive quarters	65 days
Juniper Capital II, LP	1,466,822	798,809	N/A	N/A	N/A
Juniper Capital III, LP	65,633	-	N/A	N/A	N/A
NGP Natural Resources XII, LP	411,356	-	N/A	N/A	N/A
Southpoint Qualified Offshore Fund, Ltd.	1,868,577	1,761,022	Quarterly	25% available quarterly	60 days
Legacy Venture VI, LLC	1,596,489	1,239,629	N/A	N/A	N/A
Legacy Venture VII, LLC	1,094,692	704,094	N/A	N/A	N/A
Legacy Venture VIII, LLC	384,457	128,397	N/A	N/A	N/A
Borealis Granite Fund, L.P.	1,685,990	1,065,655	N/A	N/A	N/A
RCP Fund IX, LP	733,364	541,116	N/A	N/A	N/A
RCP Fund XI, LP	148,219	21,932	N/A	N/A	N/A
RCP Fund XII, LP	65,520	-	N/A	N/A	N/A
Stone Ridge Reinsurance Risk Premium Interval Fund	3,872,505	3,780,755	Quarterly	Share repurchase program: 5% - 25% of fund's outstanding shares at NAV	10 days

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

<u>Investment</u>	Fair Value Estimated Using NAV Per Share at September 30 (continued)		<u>Redemption Frequency</u>	<u>Other Redemption Restrictions</u>	<u>Redemption Notice Period</u>
	<u>2018</u>	<u>2017</u>			
GEM Realty Fund VI, LP	60,440	-	N/A	N/A	N/A
BPG Investment Partnership VIIA, LP	1,729,207	2,126,678	N/A	N/A	N/A
BPG Investment Partnership VIII, LP	119,545	844,677	N/A	N/A	N/A
AG Realty Fund IX, LP	1,721,930	1,317,083	N/A	N/A	N/A
	<u>\$ 46,235,379</u>	<u>\$ 39,519,999</u>			

5. Grants Payable

For the years ended September 30, 2018 and 2017, the Foundation awarded grants totaling \$2,233,948 and \$2,236,145, respectively. As of September 30, 2018 and 2017, the unpaid grants payable balance was \$918,745 and \$1,128,591, respectively. Future grant payments as of September 30, 2018 are related to grants awarded in fiscal year 2018.

6. Lease Commitments

During the year ended September 30, 2013, the Foundation entered into an operating lease for office space which expired in August 2018. The Foundation renewed its lease agreement for office space in 2018 and the new lease will be expiring August 31, 2023. Based on the terms of the lease, the base rent is \$31,725 for the first year of the lease with a 2.5% annual increase thereafter. In addition to base rent, the Foundation is responsible for its share of real estate taxes, insurance, common area maintenance and utilities that service the property, which is currently \$21,500 annually.

In addition, during the year ended September 30, 2018, the Foundation entered into an operating lease for a copier. The lease expires in September 2023 and requires a monthly payment of \$195.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 55,629
2020	56,424
2021	57,239
2022	58,074
2023	<u>54,147</u>
Total	<u>\$ 281,513</u>

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

For the years ended September 30, 2018 and 2017, rent expense was \$49,986 and \$48,874, respectively.

7. Concentration of Credit Risk

The Foundation maintains its cash balance in a national bank. The Federal Deposit Insurance Corporation (FDIC) insures the balance up to \$250,000. The bank has collateralized all deposits for the Foundation in excess of the FDIC limit.

In the normal course of business, the Foundation utilizes counterparties which primarily include a bank, investment fund managers, and an investment advisor. In the event that these counterparties do not fulfill their obligations, the Foundation may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Foundation's policy to review, as necessary, the credit standing of each counterparty.

8. Retirement Savings Plan

The Foundation has a 403(b) defined contribution plan covering substantially all of its employees who have completed six months of service. The Foundation contributes 5% of base salary to the plan with no employee contribution required. Additionally, the Foundation matches employee salary deferral contribution dollar for dollar up to an additional 5% of base salary. For the years ended September 30, 2018 and 2017, retirement savings expense was \$73,699 and \$70,967, respectively.

9. Federal Excise Tax

Federal excise tax expense consists of the following for the years ended September 30:

	<u>2018</u>	<u>2017</u>
Current	\$ 31,304	\$ 44,269
Deferred	<u>54,404</u>	<u>58,436</u>
	<u>\$ 85,708</u>	<u>\$ 102,705</u>

Temporary differences related to cumulative unrealized gains on investments give rise to the deferred taxes.

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

10. Funds Held by Others

The Foundation has the right to recommend grant distributions from a donor-advised fund maintained at the New Hampshire Charitable Foundation (NHCF). Pursuant to the terms of the resolution establishing this fund, property contributed by unrelated parties to NHCF is held as a separate fund designated for the benefit of the Foundation. The Board of Directors of NHCF has been granted the power to re-designate the funds contributed by unrelated parties if the Foundation is incapable of fulfilling its mission.

The fund is not included in these financial statements since the fund is not an asset of the Foundation and NHCF has the ability to re-designate funds contributed by unrelated parties. The total market value of the fund was approximately \$483,767 and \$506,367 at September 30, 2018 and 2017, respectively. During 2018, \$50,000 was distributed from this fund. During 2017 there were no distributions from this fund.

SUPPLEMENTARY INFORMATION

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position

September 30, 2018

ASSETS

	Endowment for Health, Inc.	Health Strategies of New Hampshire, Inc.	Consolidated Total
Cash and cash equivalents	\$ 207,344	\$ 371,937	\$ 579,281
Investments	83,823,227	-	83,823,227
Mission related investments	2,350,000	-	2,350,000
Prepaid federal excise tax	16,656	-	16,656
Other prepaid expenses	<u>38,988</u>	<u>-</u>	<u>38,988</u>
Total assets	<u>\$ 86,436,215</u>	<u>\$ 371,937</u>	<u>\$ 86,808,152</u>

LIABILITIES AND NET ASSETS

Grants payable	\$ 918,745	\$ -	\$ 918,745
Accounts payable and accrued expenses	56,067	2,008	58,075
Deferred tax liability	<u>259,004</u>	<u>-</u>	<u>259,004</u>
Total liabilities	1,233,816	2,008	1,235,824
Unrestricted net assets	<u>85,202,399</u>	<u>369,929</u>	<u>85,572,328</u>
Total liabilities and net assets	<u>\$ 86,436,215</u>	<u>\$ 371,937</u>	<u>\$ 86,808,152</u>

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Consolidating Statement of Activities

Year Ended September 30, 2018

	<u>Endowment for</u> <u>Health, Inc.</u>	<u>Health Strategies</u> <u>of New</u> <u>Hampshire, Inc.</u>	<u>Consolidating</u> <u>Entries</u>	<u>Consolidated</u> <u>Total</u>
Changes in unrestricted net assets				
Revenue and net investment income				
Income on investments				
Interest and dividends	\$ 1,122,395	\$ 517	\$ -	\$ 1,122,912
Investment management and custodial fees	(159,956)	-	-	(159,956)
Realized gain on investments	2,158,810	-	-	2,158,810
Unrealized gain on investments	3,626,919	-	-	3,626,919
Grant income	<u>-</u>	<u>303,408</u>	<u>(253,458)</u>	<u>49,950</u>
Total revenue and net investment income	<u>6,748,168</u>	<u>303,925</u>	<u>(253,458)</u>	<u>6,798,635</u>
Expenses				
Program services				
Grant expense	2,487,406	-	(253,458)	2,233,948
Salaries and benefits	719,713	-	-	719,713
Professional services	81,892	268,140	-	350,032
Building and related expenses	45,909	-	-	45,909
Program support	49,089	32,501	-	81,590
Program operating expenses	<u>29,274</u>	<u>3,212</u>	<u>-</u>	<u>32,486</u>
Total program services	<u>3,413,283</u>	<u>303,853</u>	<u>(253,458)</u>	<u>3,463,678</u>
Management and general				
Salaries and benefits	256,145	-	-	256,145
Professional services	88,914	90	-	89,004
Building and related expenses	15,321	-	-	15,321
Administrative support	9,818	-	-	9,818
General operating expenses	24,119	160	-	24,279
Federal excise tax expense	<u>85,708</u>	<u>-</u>	<u>-</u>	<u>85,708</u>
Total management and general	<u>480,025</u>	<u>250</u>	<u>-</u>	<u>480,275</u>
Total expenses	<u>3,893,308</u>	<u>304,103</u>	<u>(253,458)</u>	<u>3,943,953</u>
Increase (decrease) in unrestricted net assets	2,854,860	(178)	-	2,854,682
Unrestricted net assets, beginning of year	<u>82,347,539</u>	<u>370,107</u>	<u>-</u>	<u>82,717,646</u>
Unrestricted net assets, end of year	<u>\$ 85,202,399</u>	<u>\$ 369,929</u>	<u>\$ -</u>	<u>\$ 85,572,328</u>

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Consolidating Statement of Financial Position

September 30, 2017

ASSETS

	Endowment for Health, Inc.	Health Strategies of New Hampshire, Inc.	Consolidating Entries	Consolidated Total
Cash and cash equivalents	\$ 441,172	\$ 373,564	\$ -	\$ 814,736
Investments	80,906,700	-	-	80,906,700
Mission related investments	2,350,000	-	-	2,350,000
Accounts receivable	775	-	(775)	-
Prepaid federal excise tax	6,303	-	-	6,303
Other prepaid expenses	<u>32,376</u>	<u>-</u>	<u>-</u>	<u>32,376</u>
 Total assets	 <u>\$ 83,737,326</u>	 <u>\$ 373,564</u>	 <u>\$ (775)</u>	 <u>\$ 84,110,115</u>

LIABILITIES AND NET ASSETS

Grants payable	\$ 1,128,591	\$ -	\$ -	\$ 1,128,591
Accounts payable and accrued expenses	56,596	3,457	(775)	59,278
Accounts payable and accrued expenses	<u>204,600</u>	<u>-</u>	<u>-</u>	<u>204,600</u>
 Total liabilities	 1,389,787	 3,457	 (775)	 1,392,469
 Unrestricted net assets	 <u>82,347,539</u>	 <u>370,107</u>	 <u>-</u>	 <u>82,717,646</u>
 Total liabilities and net assets	 <u>\$ 83,737,326</u>	 <u>\$ 373,564</u>	 <u>\$ (775)</u>	 <u>\$ 84,110,115</u>

ENDOWMENT FOR HEALTH, INC. AND SUBSIDIARY

Consolidating Statement of Activities

Year Ended September 30, 2017

	Endowment for <u>Health, Inc.</u>	Health Strategies of New <u>Hampshire, Inc.</u>	Consolidating <u>Entries</u>	Consolidated <u>Total</u>
Changes in unrestricted net assets				
Revenue and net investment income (loss)				
Income on investments				
Interest and dividends	\$ 1,217,576	\$ -	\$ -	\$ 1,217,576
Investment management and custodial fees	(147,621)	-	-	(147,621)
Realized gain on investments	2,571,115	-	-	2,571,115
Unrealized gain on investments	3,895,766	-	-	3,895,766
Grant income	<u>10,000</u>	<u>391,624</u>	<u>(334,624)</u>	<u>67,000</u>
Total revenue and net investment income	<u>7,546,836</u>	<u>391,624</u>	<u>(334,624)</u>	<u>7,603,836</u>
Expenses				
Program services				
Grant expense	2,570,769	-	(334,624)	2,236,145
Salaries and benefits	718,601	-	-	718,601
Professional services	84,047	317,352	-	401,399
Building and related expenses	37,824	-	-	37,824
Program support	45,961	18,632	-	64,593
Program operating expenses	<u>27,251</u>	<u>5,469</u>	<u>-</u>	<u>32,720</u>
Total program services	<u>3,484,453</u>	<u>341,453</u>	<u>(334,624)</u>	<u>3,491,282</u>
Management and general				
Salaries and benefits	249,931	-	-	249,931
Professional services	51,747	1,970	-	53,717
Building and related expenses	12,625	-	-	12,625
Administrative support	21,180	-	-	21,180
General operating expenses	32,731	141	-	32,872
Federal excise tax expense	<u>102,705</u>	<u>-</u>	<u>-</u>	<u>102,705</u>
Total management and general	<u>470,919</u>	<u>2,111</u>	<u>-</u>	<u>473,030</u>
Total expenses	<u>3,955,372</u>	<u>343,564</u>	<u>(334,624)</u>	<u>3,964,312</u>
Increase in unrestricted net assets	3,591,464	48,060	-	3,639,524
Unrestricted net assets, beginning of year	<u>78,756,075</u>	<u>322,047</u>	<u>-</u>	<u>79,078,122</u>
Unrestricted net assets, end of year	<u>\$ 82,347,539</u>	<u>\$ 370,107</u>	<u>\$ -</u>	<u>\$ 82,717,646</u>