
HEALTH FORWARD FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023



Health Forward
FOUNDATION

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Independent Auditors' Report

Board of Directors
Health Forward Foundation
Kansas City, Missouri

Opinion

We have audited the financial statements of Health Forward Foundation, which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Forward Foundation, as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Health Forward Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis Of A Matter

As discussed in Note 1, Health Forward Foundation adopted the provisions of Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Health Forward Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities For The Audit Of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Health Forward Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Health Forward Foundation's ability to continue as a going concern for a reasonable period of time.

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

RubinBrown LLP

August 2, 2024

HEALTH FORWARD FOUNDATION
STATEMENT OF FINANCIAL POSITION

Assets

| | December 31, | |
|--|-----------------------|-----------------------|
| | 2023 | 2022 |
| Assets | | |
| Cash and cash equivalents | \$ 10,294,011 | \$ 5,913,152 |
| Investment redemption receivable | 522,239 | 10,115,885 |
| Interest receivable | 22,110 | — |
| Prepaid expenses and deposits | 304,233 | 158,800 |
| Investments | 889,121,232 | 821,262,842 |
| Programmatic investments, net | 3,515,000 | — |
| Furniture and equipment, net of accumulated depreciation of \$308,598 in 2023 and \$323,418 in 2022 | 1,494,575 | 479,850 |
| Total Assets | \$ 905,273,400 | \$ 837,930,529 |

Liabilities And Net Assets

| | | |
|--|-----------------------|-----------------------|
| Liabilities | | |
| Grants payable | \$ 17,634,398 | \$ 9,349,151 |
| Accounts payable and accrued liabilities | 482,487 | 279,616 |
| Total Liabilities | 18,116,885 | 9,628,767 |
| Net Assets Without Donor Restrictions | | |
| Board designated for Health Sciences Pathway Fund | 16,301,708 | — |
| Undesignated | 870,854,807 | 828,301,762 |
| Total Net Assets Without Donor Restrictions | 887,156,515 | 828,301,762 |
| Total Liabilities And Net Assets Without Donor Restrictions | \$ 905,273,400 | \$ 837,930,529 |

HEALTH FORWARD FOUNDATION

STATEMENT OF ACTIVITIES

| | For The Years | |
|---|-----------------------|-----------------------|
| | Ended December 31, | |
| | 2023 | 2022 |
| Changes In Net Assets Without Donor Restrictions: | | |
| Revenue, Gains And Support: | | |
| Contributions | \$ 5,000 | \$ 15,001,466 |
| Interest and dividend income, net of investment expenses of \$10,092,157 in 2023 and \$7,567,904 in 2022 | 6,003,168 | 1,175,125 |
| Net realized and unrealized gains (losses) | 93,082,609 | (103,938,341) |
| Total Revenue, Gains And Support | 99,090,777 | (87,761,750) |
| Expenses | | |
| Grants and programs | 37,625,018 | 33,877,905 |
| Administration | 2,611,006 | 2,271,118 |
| Total Expenses | 40,236,024 | 36,149,023 |
| Change In Net Assets | 58,854,753 | (123,910,773) |
| Net Assets Without Donor Restrictions - Beginning Of Year | 828,301,762 | 952,212,535 |
| Net Assets Without Donor Restrictions - End Of Year | \$ 887,156,515 | \$ 828,301,762 |

HEALTH FORWARD FOUNDATION

STATEMENT OF CASH FLOWS

| | For The Years Ended December 31, | |
|---|-------------------------------------|---------------------|
| | 2023 | 2022 |
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 58,854,753 | \$ (123,910,773) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 154,418 | 84,940 |
| Contribution expense | 589,840 | — |
| Amortization of loan discount on programmatic investments included as a component of interest income | (46,762) | — |
| Loss on disposal of equipment | 756 | 1,217 |
| Net realized and unrealized (gains) losses on investments | (93,082,609) | 111,506,245 |
| Changes in assets and liabilities: | | |
| Interest receivable | (22,110) | — |
| Prepaid expenses and deposits | (145,433) | (83,354) |
| Grants payable | 8,285,247 | 51,637 |
| Accounts payable and accrued expenses | 202,871 | (406,885) |
| Net Cash Used In Operating Activities | (25,209,029) | (12,756,973) |
| Cash Flows From Investing Activities | | |
| Purchases of furniture and equipment | (1,169,899) | (302,494) |
| Issuance of programmatic investments as below market loans | (4,058,078) | — |
| Purchases of investments | (83,509,416) | (417,890,502) |
| Proceeds from sales of investments | 118,327,281 | 432,322,827 |
| Net Cash Provided By Investing Activities | 29,589,888 | 14,129,831 |
| Cash Flows From Financing Activities | | |
| Proceeds from line of credit | 1,500,000 | 29,000,000 |
| Repayments to line of credit | (1,500,000) | (29,000,000) |
| Net Cash Provided By Financing Activities | — | — |
| Net Increase In Cash And Cash Equivalents | 4,380,859 | 1,372,858 |
| Cash And Cash Equivalents - Beginning Of Year | 5,913,152 | 4,540,294 |
| Cash And Cash Equivalents - End Of Year | \$ 10,294,011 | \$ 5,913,152 |
| Supplemental Cash Flow Information | | |
| Cash paid during the year for interest | \$ 6,344 | \$ 70,646 |

HEALTH FORWARD FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 And 2022

1. Organization And Summary Of Significant Accounting Policies

Organization

Health Forward Foundation (Health Forward), formerly the Health Care Foundation of Greater Kansas City, was created as a Missouri not-for-profit public charity in July 2003, as pursuant to an agreement between and among Community Health Group (CHG), a successor company to Health Midwest, and the Missouri Attorney General, in connection with the sale of assets by Health Midwest to HCA, Inc. (HCA). Health Midwest, a Missouri public benefit corporation, operated various not-for-profit hospitals and other health care facilities in Kansas and Missouri which were among the assets sold to HCA, a for-profit company. The settlement agreement provided that two foundations would be established and that the net proceeds of the sale would be distributed 80% to Health Forward and 20% to the REACH Healthcare Foundation.

Health Forward is on a mission to achieve health equity and secure a fair and just region through leadership, advocacy, and resources. Every day, Health Forward works to support and build inclusive, powerful, and healthy communities with people who experience the greatest injustice in health outcomes. Health Forward's service areas include Kansas City, Missouri; Cass, Jackson and Lafayette counties in Missouri; and Allen, Johnson and Wyandotte counties in Kansas.

The initial Board of Directors was appointed by the Missouri Attorney General, subject to residency and other requirements as specified in the bylaws. Subsequent board members are nominated by the Community Advisory Committee (CAC), elected by the board and ratified by the CAC. CAC members are appointed by elected officials of specified city and county governments in Missouri and Kansas.

Basis Of Accounting

The accompanying financial statements of Health Forward have been prepared on the accrual basis of accounting.

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

Basis Of Presentation

Financial statement presentation follows the requirements of the accounting principles generally accepted in the United States of America (GAAP) by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, Health Forward is required to report information regarding its statements of financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the board of directors and management for general purposes. During 2023, management and the board of directors established the Health Sciences Pathways Fund (Fund) which is a board designated fund. The purpose of the Fund is to grow and support pathways for people underrepresented in health professions to strengthen the regions health care workforce in service to Health Forward's communities of focus with a goal to eliminate health disparities and foster economic inclusion. As of December 31, 2023, the Fund balance included in net assets without donor restrictions was \$16,301,708.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed restrictions. Donor restricted net assets may be time or purpose restricted, or perpetual in nature. Health Forward does not have net assets with donor restrictions as of December 31, 2023 or 2022.

Cash And Cash Equivalents

Health Forward considers all cash investments with original maturities less than three months from date of purchase as cash equivalents. Daily bank balances in excess of \$250,000 are invested in sweep accounts, money market vehicles, or repurchase agreements collateralized by underlying securities.

New Accounting Pronouncement - Credit Losses

As of January 1, 2023, Health Forward adopted Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*, using a modified retrospective approach. The standard replaces the previous incurred loss model and requires entities to record an estimate of expected losses on financial assets for the remaining estimated life of the asset. This estimate includes consideration of historical experience, current conditions, and reasonable and supportable forecasts. The standard applies to Health Forward's outstanding programmatic investments. The adoption did not have a material impact on these financial statements.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

Investment Redemption Receivable

Investment redemption receivable represents the expected proceeds to be collected for alternative investments that are currently in the redemption process.

Investment Valuation And Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If available, quoted market prices are used to value investments. Investments for which quoted market prices are not available are stated at estimated fair value as determined by independent investment managers or fund managers, and reviewed by management. Investment income or loss (including realized and unrealized gains and losses on investments) is included in the change in net assets without donor restrictions unless the income or loss is restricted by donor or law. Realized gains or losses on the sale of investments are determined on the specific identification method. Expenses associated with investment management are reported as a reduction in investment income or loss.

Programmatic Investments

Programmatic investments included in the statement of financial position represent loans made to organizations which have stated interest rates below current market rates. Health Forward's purpose-driven investment program allows Health Forward to further leverage its capital base to advance the health equity mission. This funding is intended to enhance traditional grant funding by providing below-market rate loans to organizations that might otherwise have difficulty securing traditional funding. This purpose-driven investment program focuses on funding partners whose work aligns with Health Forward's purpose to support and build inclusive, powerful, and healthy communities characterized by racial equity and economically just systems.

Health Forward identifies programmatic investments as benefits provided to constituencies in the form of financial instruments whereby the primary objective is the furtherance of Health Forward's mission. The production of income or appreciation of the underlying financial instrument is not a significant objective.

Programmatic investments are reported at amortized cost which reflects the present value of contractual cash flows, discounted at the loan's original effective interest rate. Upon initial recognition of these programmatic investments with below market rates, a contribution expense and a discount allowance are recognized which represents the difference between the cash transferred to the borrower and the present value of the contractual payments for the loan at the imputed market interest rate. The discount allowance is amortized as a component of interest income using the effective interest method.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

Upon initial recognition and subsequent measurements of the programmatic loans, Health Forward estimates a valuation allowance for credit losses. Such consideration is given on an individual loan basis given the risk characteristics can vary dependent on factors including the borrower's financial health, industry conditions as well as broader economic conditions. As of December 31, 2023, management determined that no material credit allowance is necessary.

Furniture And Equipment

Furniture, fixtures, equipment and construction in progress are stated at cost. Depreciation is provided by the straight- line method over the estimated useful lives of the assets ranging from 3 to 7 years.

Grants

Grants are recorded as expenses of Health Forward in the year in which the grants to be committed to outside parties are approved by the President or Board of Directors. Grantmaking approval authority for grants up to five million dollars is delegated to the Impact Committee when a grant exceeds the President's approval authority or if a conflict of interest exists for Board members. There are no conditions on these grants; therefore, the expense is recognized when approved. Grant funds returned or cancelled are accounted for in the year incurred, thereby reducing grant expenses.

Allocation Of Expenses

The costs of providing the programs and administrative activities have been presented by function and natural classification in Note 5. Expenses directly attributable to a specific functional area of Health Forward are reported as specific to that functional area. Expenses that benefit multiple functional or program areas have been allocated across programs and administrative services based on salary percentages, by function, which are based on time studies, job descriptions and responsibilities. The expenses that are allocated include staff wages, payroll taxes and benefits, occupancy costs and other expenses.

Income Taxes

Health Forward is exempt from income taxes on related, exempt income under Section 501(c)(3) of the Internal Revenue Code (IRC) as a not-for-profit organization.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

The federal tax returns for tax years 2020 and later remain subject to examination by taxing authorities. Health Forward has net operating losses (NOL) available for carryforward approximating \$600,000 which are available for carryforward without expiration. Related deferred income tax assets approximating \$174,000 and \$493,000 at December 31, 2023 and 2022, respectively, are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that the benefit from deferred tax assets may not be realized. As of December 31, 2023 and 2022, management has provided a valuation allowance for the entire amount of the deferred tax assets.

In order to maintain its status as a public charity, in 2010, Health Forward became a Type I supporting organization of the Community Advisory Committee, which is an exempt publicly supported organization.

Reclassifications

Certain reclassifications have been made to the December 31, 2022, amounts to conform to the December 31, 2023 presentation. These reclassifications had no impact on the change in net assets or cash flows.

Subsequent Events

Management evaluates events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

2. Programmatic Investments

Programmatic investments included in the statement of financial position as of December 31, 2023 includes the following:

| | <u>At Origination</u> | | <u>December 31, 2023</u> |
|-----------------------------|-----------------------|-----------------------|--------------------------|
| | <u>Face Value</u> | <u>Carrying Value</u> | <u>Carrying Value</u> |
| Programmatic investment (1) | \$ 3,000,000 | \$ 2,569,720 | \$ 2,604,425 |
| Programmatic investment (2) | 1,000,000 | 848,298 | 860,044 |
| Programmatic investment (3) | 58,078 | 50,220 | 50,531 |
| | <u>\$ 4,058,078</u> | <u>\$ 3,468,238</u> | <u>\$ 3,515,000</u> |

- 1) Unsecured promissory note dated September 15, 2023 in the amount of \$3,000,000 with a stated interest rate of 2%. Interest payments are due quarterly commencing September 30, 2023. Principal payments in the amount of \$375,000 are due quarterly commencing September 30, 2026 through maturity on September 15, 2028.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

- 2) Unsecured promissory note dated September 14, 2023 in the amount of \$1,000,000 with a stated interest rate of 2%. Interest payments are due quarterly commencing December 31, 2023. Principal payments in the amount of \$125,000 are due quarterly commencing September 30, 2026 through maturity on September 14, 2028.
- 3) Unsecured promissory note dated June 1, 2023 with a borrowing capacity up to \$1,000,000 and an interest rate of 2%. Interest payments are due quarterly commencing June 30, 2023 and principal payments are due in eight even installments beginning June 30, 2026 through maturity on June 30, 2028.

The current year inherent contribution expense amounted to \$589,840 and is included in grants and programs expense in the statement of activities for the year ended December 31, 2023. The inherent contribution expense represents the difference between the face value of the cash disbursed to the borrowers and the carrying value of the programmatic investment at origination.

3. Fair Value Measurements

Health Forward follows an established framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these rules are described below:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Health Forward has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

During 2023 and 2022, there were no changes in the methods and/or assumptions utilized to derive the fair value of Health Forward's assets.

Following is a description of the valuation methodologies used for assets measured at fair value:

Common Stocks

Valued at the closing price reported on the active market on which the individual securities are traded. As of December 31, 2023 and 2022, Health Forward held common stock in publicly traded companies valued at \$135,000 and \$33,000, respectively. These investments are classified in level 1 of the fair value hierarchy.

Alternative Investments

Marketable alternative investments are primarily comprised of various limited partnerships, hedge funds and private equity and debt and real estate funds. These investments are valued using the net asset value (NAV), or NAV equivalent, as a practical expedient, of units held by Health Forward at year end. The NAV is provided by the independent investment managers and advisors, and evaluated by Health Forward's management. Accordingly, the alternative investments are measured at fair value using the NAV per share (or its equivalent) practical expedient, and therefore, have not been classified in the fair value hierarchy.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Health Forward's management believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (Continued)

Commitments

The investment strategy of Health Forward includes investing in alternative investments, such as limited partnerships, hedge funds and private equity and real estate funds. Decisions regarding the selection of investment managers and investment activity within the portfolios are made by the Chief Investment Officer. Health Forward's investments in these alternative investment funds include contractual commitments to provide capital contributions over periods of time. As of December 31, 2023 and 2022, the remaining unfunded capital commitments of Health Forward total approximately \$188,000,000 and \$95,000,000, respectively.

Fair Value Measurements Of Investments In Certain Entities That Calculate Net Asset Value Per Share

| | | | | | | For The Year Ended December 31, 2023 | |
|-----------------------------|---|-----------------------|-------------------------|-------------------|---|---|--|
| | | Fair Value | Unfunded Commitments | Remaining Life | Redemption Frequency | Redemption Notice Period | |
| Fixed income | 1 | \$ 82,150,069 | \$ — | N/A | Daily, Bi-monthly, Monthly | 0 - 30 days | |
| U.S. equity | 2 | 27,952,822 | — | N/A | Daily, Quarterly | 0 - 45 days | |
| Global equity | 2 | 430,231,568 | — | N/A | Daily, Weekly, Semi-monthly, Monthly, N/A | 0 - 30 days | |
| Non U.S. equity | 2 | 54 | — | N/A | Daily | 2 days | |
| Opportunistic strategies | 3 | 77,290,141 | — | N/A | Monthly, Quarterly, Semi-annual | 45 - 90 days | |
| Private equity | 4 | 211,729,051 | 181,931,475 | 0 - 15 years | N/A | N/A | |
| Real estate | 5 | 59,632,527 | 5,786,848 | 0 - 6 years | Quarterly, N/A | 45 - 60 days | |
| | | <u>\$ 888,986,232</u> | <u>\$ 187,718,323</u> | | | | |

| | | | | | | For The Year Ended December 31, 2022 | |
|-----------------------------|---|-----------------------|-------------------------|-------------------|------------------------------------|---|--|
| | | Fair Value | Unfunded Commitments | Remaining Life | Redemption Frequency | Redemption Notice Period | |
| Fixed income | 1 | \$ 112,903,731 | \$ — | N/A | Daily, Bi-monthly, Monthly | 0 - 30 days | |
| U.S. equity | 2 | 20,002,721 | — | N/A | Daily, Quarterly | 0 - 45 days | |
| Global equity | 2 | 363,648,255 | — | N/A | Daily, Weekly, Semi-monthly | 0 - 10 days | |
| Non U.S. equity | 2 | 9,501 | — | N/A | Daily | 2 days | |
| Opportunistic strategies | 3 | 94,449,108 | — | N/A | Monthly, Quarterly, Semi-annual | 45 - 90 days | |
| Private equity | 4 | 155,393,001 | 88,058,121 | 0 - 15 years | N/A | N/A | |
| Real estate | 5 | 74,823,525 | 7,303,165 | 0 - 6 years | Quarterly, N/A | 0 - 60 days | |
| | | <u>\$ 821,229,842</u> | <u>\$ 95,361,286</u> | | | | |

- 1) Fixed income - This category includes investments in 3 core and return-seeking fixed income funds. Core fixed income funds primarily serve as the capital preservation component of the investment portfolio through preserving the principal value of assets and generating return at significantly lower absolute volatility relative to other assets. Assets can include, but would not be limited to, treasuries and investment-grade corporate bonds. Return-seeking fixed income funds serve to diversify the primary return drivers of equity assets in the investment portfolio and to increase the likelihood of achieving its long-term return objective through lower absolute volatility or diversifying return sources with a focus on consistent yield relative to those in the equity portfolio.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

- 2) U.S. equity, global equity and non U.S. equity - This category includes 9 alternative investment funds that serve as the primary return-seeking investments to generate long-term asset growth. Return over time is primarily driven by equity risk beta. Assets shall be diversified across regions (i.e. U.S., international developed, emerging markets).
- 3) Opportunistic strategies - This category includes 7 alternative investment funds that serve to diversify the equity beta and provide a return above that of the core fixed income assets. Additional absolute return and risk budget objectives should be defined, establishing the role of opportunistic strategies within the total portfolio. Investments can include but would not be limited to equity insurance risk premium, hedge funds, and insurance linked securities.
- 4) Private equity - This category includes 43 alternative investment funds that serve as the primary return-seeking investments to generate long-term asset growth. Private equity funds can have higher risk than public equity due to its illiquidity, typically smaller company size, and use of leverage. Assets shall be diversified across asset classes and liquidity profiles that may include but would not be limited to private equity, private debt, and infrastructure.
- 5) Real estate - This category includes 3 alternative investment funds that serve to diversify the primary return drivers of the equity assets in the investment portfolio and to increase the likelihood of achieving its long-term return objective through lower absolute volatility or alternative return sources with a focus on assets that are expected to provide income and some inflation hedge over time. Assets can include but would not be limited to public and private real estate.

4. Investment Guidelines And Objectives

The bylaws generally provide that the Finance & Investment Committee (the Committee) shall oversee investment policy and governance of Health Forward's assets, which includes establishing investment policy, objectives and guidelines; measuring and evaluating investment performance; reporting to the Directors and other tasks as deemed appropriate.

The Committee shall assist the Board of Directors in fulfilling its management of Foundation assets. The Committee's primary duties and responsibilities are to:

- Understand Health Forward's financial needs and communicate such needs to the Investment Advisors on a timely basis;
- Help determine Health Forward's risk tolerance, investment horizon, and probabilities of reaching the stated long-term investment objectives under multiple asset allocation scenarios;
- Annually communicate to the Board of Directors, Health Forward Foundation's investment risk profile and projected returns to assure programmatic and investment goals are annually aligned;
- Ensure that Health Forward establishes reasonable and consistent investment objectives, policies and guidelines which will direct the investment of Health Forward's assets;

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

- Prudently and diligently select the Chief Investment Officer and Investment Advisor(s) to assure adherence to policy guidelines and to monitor progress toward investment goals;
- Develop and enact proper control procedures: for example, replacing the Chief Investment Officer and/or Advisors in the event of fundamental change in investment management process or failure to comply with established guidelines;
- Ensure Health Forward maintains proper record-keeping and safekeeping of Health Forward's investments;
- Review and monitor the interim financial statements as prepared by the financial staff of Health Forward; and
- Establish annual budgeting assumptions and adopt an annual budget consistent with the mission and strategic plan of Health Forward.

A statement of investment policy has been adopted by Health Forward to:

1. Establish a clear understanding of the goals and objectives for the investments of Health Forward, including establishing a basis for evaluating investment results.
2. Defining the roles and responsibilities of all parties involved to ensure that Foundation assets are managed according to the standards set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
3. Provide guidance and limitations regarding the investment of Foundation assets, including Health Forward's Diversity, Equity and Inclusion aspirations.
4. State the asset allocation guidelines to be used by Health Forward.

5. Line Of Credit

Health Forward has an agreement with a bank for a line of credit with a maximum borrowing capacity of \$40,000,000. During 2023, Health Forward obtained an amendment to the line of credit which reduced the borrowing capacity to \$30,000,000 and extended the maturity date to March 31, 2024. Any amounts drawn on the line of credit are due on demand. Interest is payable monthly at the one month Secured Overnight Financing Rate (SOFR) rate which was 6.20% as of December 31, 2023 (3.8% as of December 31, 2022). All related interest costs are expensed. The line of credit is collateralized by certain investments. There was no outstanding balance on the line of credit as of December 31, 2023 or 2022. Subsequent to December 31, 2023, the maturity date was extended to March 31, 2025, and the maximum borrowing capacity for the line of credit was reduced to \$20,000,000.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (Continued)

6. Schedule Of Functional Expenses

Expenses are presented according to both functional and natural classifications as follows:

| | For The Year Ended December 31, 2023 | | |
|--------------------------------|---|---------------------|----------------------|
| | Grants And Programs | Administration | Total |
| Grants and other contributions | \$ 31,575,990 | \$ — | \$ 31,575,990 |
| Staff wages and benefits | 3,590,554 | 1,567,156 | 5,157,710 |
| Professional fees | 1,317,987 | 621,215 | 1,939,202 |
| Media and communications | 435,355 | 303 | 435,658 |
| Occupancy and equipment | 335,474 | 172,820 | 508,294 |
| Information technology | 166,735 | 85,894 | 252,629 |
| Memberships & subscriptions | 70,174 | 36,150 | 106,324 |
| Office supplies | 32,128 | 15,694 | 47,822 |
| Meetings and forums | 83,020 | 27,762 | 110,782 |
| Travel | 17,601 | 35,928 | 53,529 |
| Advertising and promotion | — | 2,100 | 2,100 |
| Interest | — | 6,344 | 6,344 |
| Insurance | — | 39,640 | 39,640 |
| | <u>\$ 37,625,018</u> | <u>\$ 2,611,006</u> | <u>\$ 40,236,024</u> |

| | For The Year Ended December 31, 2022 | | |
|--------------------------------|---|---------------------|----------------------|
| | Grants And Programs | Administration | Total |
| Grants and other contributions | \$ 28,770,002 | \$ — | \$ 28,770,002 |
| Staff wages and benefits | 2,940,738 | 1,420,600 | 4,361,338 |
| Professional fees | 1,097,969 | 386,723 | 1,484,692 |
| Media and communications | 447,186 | 2,845 | 450,031 |
| Occupancy and equipment | 295,364 | 145,478 | 440,842 |
| Information technology | 208,372 | 31,877 | 240,249 |
| Memberships and subscriptions | 49,064 | 19,636 | 68,700 |
| Office supplies | 15,739 | 8,565 | 24,304 |
| Meetings and forums | 38,446 | 51,442 | 89,888 |
| Travel | 15,025 | 28,521 | 43,546 |
| Advertising and promotion | — | 66,606 | 66,606 |
| Interest | — | 70,646 | 70,646 |
| Insurance | — | 38,179 | 38,179 |
| | <u>\$ 33,877,905</u> | <u>\$ 2,271,118</u> | <u>\$ 36,149,023</u> |

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (*Continued*)

7. Retirement Savings Plan

Health Forward sponsors a safe harbor 401(k) retirement savings plan (Plan) for all employees, which includes salary deferral features and allows participants to contribute up to the statutory limit. Health Forward matches 100% of employee contributions up to 6% of employee compensation. Health Forward may also make annual discretionary contributions up to 4% of employee compensation.

Health Forward made matching and discretionary contributions to the Plan in 2023 and 2022 totaling \$314,674 and \$250,793, respectively.

8. Commitments

Grants

At the beginning of each year, Health Forward's Board of Directors approves the amount of grant-making funds available for that year. The Board of Directors has approved approximately \$30,900,000 for 2024. However, no portion of these approved funds had been committed to outside parties as of December 31, 2023; therefore, no associated liability has been recorded in the accompanying financial statements as of that date. Of the \$17,634,398 total grants payable at December 31, 2023, \$14,638,739 are expected to be paid within one year, with the remaining expected to be paid during 2025 and beyond.

Construction In Progress

Effective January 27, 2023, Health Forward signed a contract to acquire the top floor of a commercial building in a strategic condominium ownership agreement with Community Builders of Kansas City (CBKC). This new office space will become Health Forward's new headquarters located at the Offices at Overlook on the East Side of Kansas City, Missouri. During 2023, Health Forward paid \$1,000,000 in earnest funds to secure the contract which is included in furniture and equipment on the statement of financial position as of December 31, 2023. The construction project is estimated to be completed in late 2025 or early 2026 with a cost estimated to be between \$9,000,000 and \$11,000,000.

HEALTH FORWARD FOUNDATION

Notes To Financial Statements (Continued)

9. Liquidity And Availability Of Financial Assets

Health Forward's assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31:

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 10,294,011 | \$ 5,913,152 |
| Investment redemption receivable | 522,239 | 10,115,885 |
| Interest receivable | 22,110 | — |
| Investments | 889,121,232 | 821,262,842 |
| Programmatic investments, net | 3,515,000 | — |
| Total Financial Assets | 903,474,592 | 837,291,879 |
| Less Amounts Not Available To Be Used Within One Year | | |
| Programmatic investments, net | (3,515,000) | — |
| Board designated Health Sciences Pathways Fund | (16,301,708) | — |
| Alternative investments with redemption limitations | (176,834,541) | (176,059,481) |
| Total Amounts Not Available To Be Used Within One Year | (196,651,249) | (176,059,481) |
| Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year | \$ 706,823,343 | \$ 661,232,398 |

As part of Health Forward's liquidity management, it has a policy to structure its financial assets to be available to meet its grant commitments, other program and operating needs, while also striving to maintain the real value of the investments adjusted for spending. Health Forward invests cash in excess of daily requirements in a sweep account. Health Forward also maintains a line of credit in the amount of \$30,000,000 (Note 5). Financial assets not available within one year include certain alternative investments with redemption limitations as discussed in Note 3.

In addition, the Finance and Investment Committee meets regularly to ensure investments provide the highest possible return consistent with prudent diversification, and preserve purchasing power. The asset strategy and specific investment goals are designed to meet liquidity and stability requirements.

10. Risks And Uncertainties

Health Forward invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

11. Concentrations

During 2022, Health Forward received a \$15,000,000 contribution from one donor. There were no concentrations during 2023.