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improve the nation's health

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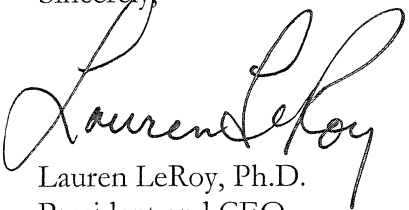
June 23, 2006

Dear Colleague:

Each year at this time, the board and staff of Grantmakers In Health (GIH) pause to reflect on our activities and accomplishments of the past year. In 2005, we continued to expand options for funders to learn about key issues and the work of their colleagues through both written products and open conversation. In meetings and audioconferences throughout the year, grantmakers took on issues in such areas as public health, health care access and quality, obesity, childhood trauma, racial and ethnic health disparities, immigrant health, and aging. They also discussed strategic issues related to public policy and advocacy, foundation operations and governance, and the challenges involved in being agents of social change.

This annual report looks back on 2005, briefly summarizing the highlights of the year and key facts about the organization's operations and governance. All products mentioned are available on the GIH Web site (www.gih.org). Our ability to support grantmakers in their work depends on the ongoing commitment of our Funding Partners and the participation of foundation staff and trustees from around the country. Working together, we have created a resource for the field, and we hope you will take full advantage of what we have to offer.

Sincerely,


Lauren LeRoy, Ph.D.
President and CEO

2005

ACTIVITIES AND PUBLICATIONS

MEETINGS AND EVENTS

Each year GIH brings foundation staff and trustees from across the nation together at our three major national meetings and several smaller, more focused events. These meetings serve important educational objectives as well as giving grantmakers the opportunity to connect with colleagues. Smaller meetings, such as our Issue Dialogues, allow grantmakers to come together in a more intimate setting to focus on issues of mutual interest.

Agents of Change: Annual Meeting on Health Philanthropy. February 23-25, 2005. San Francisco, California.

The annual meeting focused on the unique position health grantmakers are in to be catalysts for change. Plenaries and breakout sessions helped funders answer questions including, have we clearly defined the theories of change that guide our work? What are the strategies that can make change possible and lasting? Who do we have to reach and partner with to bring about needed change? How do we assess whether the changes we have supported produced the goals we envisioned? How do we learn from our work and move forward? And, how do we best use the powers of philanthropy to help shape equitable, high-quality, affordable systems grounded in science yet respectful of all people?

Capacity Building Strategies for Health Funders. Preconference Session to the Annual Meeting on Health Philanthropy. February 23, 2005. San Francisco, California.

This intensive, two-track preconference session focused on how health funders are incorporating a variety of capacity building strategies into their grantmaking with positive results. The entry-level session offered “how to” guidance on making capacity building grants, from supporting organizational assessments and technical assistance to capital improvements and succession planning. In the advanced track, participants took a critical

look at how these strategies can strengthen the relationship between grantmakers and grantees, discussed ways to measure their impact, and learned what pitfalls to avoid.

Trustees as Leaders in Health Philanthropy. Preconference Session to the Annual Meeting on Health Philanthropy. February 23, 2005. San Francisco, California.

The trustee leadership preconference session addressed several critical governance and accountability issues facing foundation trustees. It included discussion of how recent legislation regulates corporate oversight and financial practices. Workshops and breakout sessions focused on governance and leadership, investments, and board assessment.

Building a Healthier Future: Partnering to Improve Public Health. A GIH Issue Dialogue. February 23, 2005. San Francisco, California.

Public health systems are being challenged to provide essential services, meet new emergency preparedness requirements, and tackle emerging diseases— all in an atmosphere of shrinking budgets and intense scrutiny. This one-day Issue Dialogue brought together grantmakers, public health leaders, community stakeholders, and others in the field for an in-depth discussion of how to successfully build and sustain partnerships to strengthen the nation’s public health system. Topics explored included understanding why partnerships are critical to public health; the components of successful partnerships among public and private funders, public health organization, government agencies, and others at the local, state, and national levels; models of partnership most appropriate to circumstances in specific communities; and the factors necessary to sustain partnerships developed at various levels of the system.

In Harm’s Way: Aiding Children Exposed to Trauma, A GIH Issue Dialogue. May 4, 2005. Denver, Colorado.

Exposure to violence, abuse, natural disasters, severe

illness or injury, loss of loved ones due to violence or accident, or forced relocation affect thousands of children each year in the United States. The immediate and long-term effects on children's health and their ability to function fully in their families, schools, and communities are issues that all grantmakers who serve children should be aware of. This Issue Dialogue addressed the needs of children exposed to trauma, strategies for early identification and intervention, and the provision of timely and appropriate services to them and their caregivers.

***Considering Quality: Engaging Consumers to Make Better Health Decisions.* A GIH Issue Dialogue. May 19, 2005. Washington, DC.**

Consumers are being asked to take a more active role in decisions about health plans, providers, and use of specific services. But what types of information do they need and what supports would help them navigate the system? This Issue Dialogue focused on how consumers can use information on health care quality in making important decisions; the role of private funders in developing and disseminating decisionmaking tools; translating technical data into understandable, useful formats; and strategies for working with the public sector.

***For the Benefit of All: Ensuring Immigrant Health and Well-Being.* A GIH Issue Dialogue. June 14, 2005. Charlotte, North Carolina.**

There are roughly 30 million immigrants in the United States, accounting for 11 percent of the total population. Immigrants and their families contribute to both the diversity and economy of the nation, offering the potential for dynamic, productive, and healthy communities. Yet immigrants face several barriers to health and well-being. Some are the result of being disproportionately low-income and lack of health coverage; others are unique, such as cultural and linguistic barriers, confusion over eligibility for public benefits, and bearing the brunt of unwelcoming public views and attitudes. Addressing these barriers benefits immigrant communities and, in turn, strengthens entire communities, and the nation as a whole. This Issue Dialogue focused on a discussion of the opportunities, challenges, and roles for funders in welcoming and working with this growing population.

***The Art & Science of Health Grantmaking.* September 26-27, 2005. Cambridge, Massachusetts.**

The Art & Science of Health Grantmaking is GIH's yearly meeting focusing specifically on topics of founda-

tion operations. The meeting follows a two-track format with sessions for both seasoned health philanthropy professionals and those who are new to world of grantmaking. It is also the meeting most specifically designed to address the needs and concerns of foundation trustees. Hands-on learning and in-depth discussions covering governance, finance and investments, grantmaking, evaluation, and communications issues are the hallmark of this meeting.

***The Intersection of Health Policy and Philanthropy.* Fall Forum 2005. November 3-4, 2005. Washington, DC.**

This annual program is the time when GIH focuses its energies on issues at the intersection of health policy and health philanthropy. This year, we tested a new format that gave grantmakers the chance to dig into several issues in depth, while still preserving opportunities to learn from and network with other funders, federal agency representatives, and the broader health policy community. The program was structured to offer two day-long Issue Dialogues, bridged by a plenary session, *The War of Ideas*, and our traditional breakfast roundtables where grantmakers had the chance to network and learn from representatives of federal health agencies.

***Funding Health Policy and Advocacy 201.* A GIH Issue Dialogue. November 3, 2005. Washington, DC.**

This full-day program brought together grantmakers, advocates, media experts, and others for in-depth discussion of specific strategies and operational challenges in funding public policy activities. Through both large and small group discussions, grantmakers and other experts share strategies, challenges, and lessons learned. Topics covered included: data development and analysis, including which methods to use, who performs the analysis, and how often information is updated; communications, including message development, mechanisms for sharing new knowledge, and media relations; community organizing; building an infrastructure for policy and advocacy in communities where it does not exist; working with policymakers and other elected officials; evaluating foundation efforts in policy and advocacy; and engaging foundation boards around policy initiatives.

***More Coverage, Better Care: Improving Children's Access to Health Services.* A GIH Issue Dialogue. November 4, 2005. Washington, DC.**

Foundations and corporate giving programs support a broad array of activities related to children's health care,

with many funders believing that success in providing universal access to young people can both contribute to improvements in child health and serve as the foundation for broader health reform. This full-day program combined informative policy presentations with frank and practical conversation on effective strategies for improving access for all children. Discussion topics included: current policy debates and proposals on children's access issues; trends in children's health insurance; the safety net expansions and health system improvements that offer an important complement to efforts to expand children's coverage; the strategic calculations involved in pursuing coverage and access for a targeted population; and effective grantmaking strategies to improve children's access.

AUDIOCONFERENCES

Periodic audioconferences give grantmakers the opportunity to come together throughout the year to address timely health topics and funding strategies. They are a way to bring pertinent information to grantmakers on an ongoing basis, and allow learning and brainstorming about issues of shared interest. Open only to GIH Funding Partners, audioconferences typically include presentations by topical experts and grantmakers, followed by discussion among the 10 to 60 participants. Summaries are posted on the GIH Web site. Audioconference calls in 2005 dealt with the following issues:

ACCESS

Medicaid Reform: Threats and Opportunities. **January 24, 2005.**

With the federal government facing mounting budget pressures, Congress is likely to look toward the Medicaid program for spending reductions. What challenges and opportunities are provided by Medicaid reform? During this audioconference, Cindy Mann of the Georgetown University Health Policy Institute discussed likely proposals to overhaul Medicaid, their probable impact on beneficiaries and state budgets, and potential areas for grantmaker involvement.

Strategies to Improve Participation in Public Programs. **April 26, 2005**

A significant number of the 45 million Americans without health insurance are eligible for, but not enrolled in, publicly funded health and human service programs. Several innovative strategies have the potential to increase

participation in public programs, by making enrollment and renewal procedures more efficient and by coordinating the application processes of multiple programs serving low-income families. During the audioconference, presenters from The California Endowment and Quantum Foundation discussed how funders are supporting these efforts.

Children's Preventive Services. **May 24, 2005**

A comprehensive, coordinated set of preventive services, including medical, dental, and developmental and mental health services, is crucial for children. By intervening early, providers and parents can affect children's health and development, decreasing their risk of disease and improving their school readiness. Strategies to enhance children's preventive services have included the design of national standards and tools, improved pediatric education, an enhanced reimbursement system, quality improvement initiatives, and increased parental involvement and awareness. Grantmakers heard presenters from The Commonwealth Fund and Michael Reese Health Trust discuss current trends and challenges in the field of children's preventive services, using recent grant programs as examples.

The Use of Electronic Health Records in Community Clinics. **October 26, 2005.**

This discussion about how foundations are supporting community clinics in the use of electronic health records featured Veenu Aulakh of the California HealthCare Foundation, Jane Stafford of the Tides Foundation, and Thomas Aschenbrenner of the Northwest Health Foundation.

Recent State and Federal Medicaid Developments. **November 15, 2005.**

This update on the latest plans to reform Medicaid featured Robin Rudowitz of the Kaiser Commission on Medicaid and the Uninsured.

AGING

Medicare Modernization: Educating Beneficiaries About the New Drug Benefit. **January 19, 2005.**

Since June 2004, Medicare beneficiaries have had the option of using Medicare-endorsed prescription drug discount cards. Beginning in 2006, Medicare will begin to cover the costs of outpatient prescription drugs through private plans. During this call, Michael McMullen of the Center for Beneficiary Education led a discussion of Centers for Medicare & Medicaid Services (CMS)

activities to educate Medicare beneficiaries about the new prescription drug benefit.

***The Implications of the Medicare Drug Benefit for States.* May 16, 2005.**

States will need assistance reaching out to both dual eligibles and other low-income Medicare beneficiaries to inform them of changes in their drug coverage options, as well as financial assistance to help them pay for medications. As part of its ongoing work, GIH held an audioconference to bring grantmakers together with representatives of organizations working to ensure vulnerable Medicare beneficiaries are fully aware of the new drug program, the critical choices they must make, and subsidies available to them. Karen Davenport of the Medicare Rights Center, and Marc Steinberg and Dee Mahan of Families USA presented during this audioconference.

***Medicare Rx: Outreach Activities for the Low-Income Subsidy.* June 20, 2005.**

The Social Security Administration (SSA) and CMS are working together to implement the low-income subsidy program for the new Medicare prescription drug benefit. SSA's role in this partnership is to help the public understand how they may qualify and apply for extra help paying for their prescription drugs. During this audioconference, Beatrice Disman of the Social Security Administration discussed the application process for the low-income subsidy program and an overview of SSA's outreach and education efforts.

OVERWEIGHT AND OBESITY

***Worksite Wellness Programs.* February 17, 2005.**

This audioconference focused on how employers are working to improve the health of their employees, including reducing overweight and obesity. Guest speakers included LuAnn Heinen, director of the National Business Group on Health's Institute on the Costs and Health Effects of Obesity; and Allen Smart, vice president of programs, The Rapides Foundation.

***State Actions on Overweight and Obesity.* June 16, 2005**

Many of the programs designed to address the issues and health problems related to overweight and obesity demand, at some level, buy-in and action on the part of lawmakers. An expert from the National Conference of State Legislatures briefed funders on how legislation related to overweight and obesity fared in recent

legislative sessions.

***Engaging Faith Communities.* September 20, 2005.**

This audioconference considered how health funders can engage faith-based organizations in the fight against obesity. Our guest speakers shared the experiences of the United Methodist Health Ministry Fund, a health foundation working to promote physical activity and healthy nutrition among United Methodist congregations throughout Kansas.

***Opportunities to Address Childhood Obesity Through Social Wellness Policies.* November 29, 2005.**

With the dramatic increase in childhood obesity over the past twenty years, many policymakers are focused on improving school policies as part of the solution to promote better childhood nutrition and physical activity. Additionally, the Child Nutrition and WIC Reauthorization Act of 2004 now requires all schools that participate in the National School Lunch Program to have a local wellness policy in place by June 2006. Funders heard from Anne Travis, CEO of the Bower Foundation, about the school wellness policy requirement, an initiative to provide technical assistance to school districts developing wellness policies, and perspectives from a foundation experienced in working with schools.

PUBLIC POLICY

***Medicaid Defense Strategy.* March 11, 2005.**

Medicaid is the subject of serious debate in the U.S. Congress and state legislatures. Speakers from the Center on Budget and Policy Priorities provided an opportunity to learn about the strategies of Medicaid advocates to protect the program and how the work of national advocacy organizations is connected to activities at the state and local levels.

REDUCING HEALTH DISPARITIES AND IMPROVING QUALITY OF CARE

***Measuring Progress: AHRQ Reports on Health Care Disparities and Quality.* April 19, 2005.**

The audioconference featured a conversation with Carolyn Clancy, director of the Agency for Health Care Research and Quality (AHRQ). Dr. Clancy presented highlights from AHRQ's second set of annual reports on health care quality and disparities: the 2004 *National Healthcare Quality Report* and the 2004 *National Healthcare Disparities Report*.

The Importance of Data Collection in Reducing Health Care Disparities and Improving Quality.
June 7, 2005.

This call in this series focused on the importance of data collection in reducing racial and ethnic health disparities and improving quality of care. Romana Hasnain-Wynia, senior director for research and evaluation at the Health Research and Educational Trust/ American Hospital Association, and Anne Beal, senior program officer at The Commonwealth Fund, were our guest speakers.

PUBLICATIONS

Keeping grantmakers informed and aware is one of GIH's top priorities. To that end, we maintain an active publishing schedule throughout the year. From more detailed analytic pieces to updates on the activities of health grantmakers across the country, we connect foundation staff with information that helps them do their jobs better. In 2005, we continued our efforts to provide new information and reports accessible through our Web site. We also focused on making materials and resources more accessible.

GIH BULLETIN

Each year GIH publishes 22 issues of the *Bulletin*, reaching GIH Funding Partners and others with an interest in health philanthropy, such as leaders in the health policy, research, and health services communities. Each issue gives readers up-to-date information on new grants, publications and studies, job opportunities, and people in the field of health philanthropy. In addition, each issue contains one or more of the following articles:

► Views from the Field

These commentaries provide a forum for grantmakers to share their perspectives and relate their experiences from working on a variety of health issues. Some report on successful models, while others raise strategic questions, or offer new ways of thinking about complex issues:

- *Improving the Quality of Health Care for All Americans.* Risa Lavizzo-Mourey and Minna Jung, Robert Wood Johnson Foundation. May 2005.
- *Nurse-Managed Health Centers: A Promising Model to Ensure Access for the Underserved.* Susan Sherman, Independence Foundation. July 2005.
- *Supporting Initiatives that Promote the Availability*

and Use of Local-Level Health Information. Carol Chang, Robert Wood Johnson Foundation, and Jeff Luck, UCLA School of Public Health. September 2005.

- *Addressing Health Disparities by Engaging Institutions.* Marguerite Johnson, W.K. Kellogg Foundation. November 2005.

► Issue Focus Articles

These short pieces give readers concise overviews of key health funding issues of special importance. They focus on strategies and opportunities available to grantmakers to help address pressing health needs. Issues addressed this past year were:

- *The Business of Giving: Governance and Asset Management in Foundations Formed from Health Care Conversion.* January 2005.
- *Getting Prescription Drugs to Those Who Need Them Most.* February 2005.
- *Improving the Health and Well-being of Children in Foster Care.* March 2005.
- *In Harm's Way: Aiding Children Exposed to Trauma.* April 2005.
- *Medicaid: Vital to Women's Health.* May 2005.
- *Partnering to Improve Public Health.* November 2005.

► Grantmaker Focus Articles

Throughout the year GIH helps grantmakers showcase their work through snapshots of their organizations. The following organizations were featured in 2005:

- *The Columbus Foundation.* January 24, 2005.
- *Gordon and Betty Moore Foundation.* February 24, 2005.
- *Winter Park Health Foundation.* March 21, 2005.
- *John Rex Endowment.* April 18, 2005.
- *Houston Endowment, Inc.* May 16, 2005.
- *QueensCare.* June 6, 2005.
- *Harvard Pilgrim Health Care Foundation.* July 18, 2005.
- *Blue Cross and Blue Shield of Minnesota Foundation.* September 5, 2005.

- *BHHS Legacy Foundation*. October 3, 2005.
- *VHA Health Foundation, Inc.* November 7, 2005.
- *Williamsburg Community Health Foundation*. December 12, 2005.

ISSUE BRIEFS

Weaving together background research with practical insights, Issue Briefs examine health issues of interest to grantmakers and share advice from experts and colleagues on how to address them. Each Issue Brief is based on a GIH Issue Dialogue, and combines the essence of the meeting's presentations and discussion with GIH's research and analysis on the topic.

Funding Health Advocacy. Issue Brief No. 21. February 2005.

Funding Health Advocacy focuses on the challenges and opportunities involved with funding advocacy and engaging in public policy work. This Issue Brief reflects GIH's ongoing work to support grantmakers in their efforts to fund policy-relevant projects and focuses on grantmaker strategies for shaping public policy.

Building a Healthier Future: Partnering to Improve Public Health. Issue Brief No. 22. September 2005.

This brief reflect the substance of the conversation from a one-day Issue Dialogue with a background paper identifying significant opportunities for grantmakers to partner with public health agencies at the local, state, and national levels, as well as with organizations outside of the traditional public health system, such as faith-based communities, employers, and community organizations. Specifically, this document helps further grantmaker efforts to build and sustain public health partnerships.

In Harm's Way: Aiding Children Exposed to Trauma. Issue Brief No. 23. October 2005.

Every year, thousands of children nationwide experience trauma as a result of exposure to violence, abuse, natural disasters, severe illness or injury, loss of loved ones due to violence or accident, or forced relocation. This exposure can have both immediate and long-term effects on children's health and their ability to function fully in their families, schools, and communities. This Issue Brief focuses on the needs of children exposed to trauma, strategies for early identification and intervention, and ensuring the provision of timely and appropriate services to them and their caregivers.

For the Benefit of All: Ensuring Immigrant Health and Well-being. Issue Brief No. 24. November 2005.

This Issue Brief explores the unique health, social, and policy issues that affect immigrant populations; it looks at attitudes toward immigration and how these influence support for social programs and the provision of public benefits; it highlights philanthropic activities to improve health care access and coverage for immigrants and their families; and discusses how grantmakers are working to ensure the health and well-being of immigrants in their communities.

PUBLICATIONS FROM GIH MEETINGS

For each meeting GIH holds, we strive to create lasting resources that provide valuable information and analysis, and address important issues. All of the materials GIH produces for its meetings are also made accessible to the public via our Web site.

Agents of Change: Health Philanthropy's Role in Transforming Systems. Resource Portfolio from the 2005 Annual Meeting on Health Philanthropy. February 2005.

A framing essay outlines the role of health philanthropy in transforming systems and becoming agents of change to improve the nation's health. Short pieces discuss grantmaking strategies for strengthening infrastructure, building the knowledge base of grantees and others, mobilizing communities, creating public awareness, translating research into practice, cultivating talented leaders, taking on advocacy and policy analysis initiatives, building capacity, stimulating innovation while meeting immediate needs, and nurturing effective partnerships. A resource document gives information about organizations and publications that can help grantmakers in their efforts to promote meaningful change.

OTHER PUBLICATIONS

Improving Health Access in Communities: Lessons for Effective Grantmaking. February 2005.

This report highlights grantmaking lessons from two initiatives designed to help alleviate the burden of high uninsurance rates at the local level: *Communities in Charge* program, funded by Robert Wood Johnson Foundation (RWJF), and *Community Voices*, funded by the W.K. Kellogg Foundation. Lessons related to developing community coalitions, creating successful grantor-grantee relationships, and understanding the comparative advantages of national and local funders

are relevant to grantmakers funding or planning to fund in this and other health issues.

***The Business of Giving: Governance and Asset Management in Foundations Formed from Health care Conversions.* February 2005.**

This report, the latest in GIH's series of publications on foundations formed from the conversion of nonprofit hospitals, health plans, and health systems, focuses on board composition, and asset management. Findings show that foundations formed from health care conversions have strong structures in place to guide their grantmaking and other activities, as well as the prudent management of their assets.

***GIH Funding Partner Directory.* September 2005.**

The directory is a comprehensive list of all of GIH's Funding Partners. It includes contact information for each Funding Partner as well as a list of key staff contacts and information on assets, geographic focus, and health priorities.



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2005

FUNDING PARTNERS

GIH relies on the support of Funding Partners – foundations and corporate giving programs that annually contribute to core and program support – to develop programs and activities that serve health philanthropy. Their support, supplemented by fees for meetings, publications, and special projects, is vital to our work in addressing the needs of grantmakers who turn to us for educational programming, information, and technical assistance throughout the year.

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 Annie Penn Community Trust
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 Phoenixville Community Health Foundation
 Physicians' Foundation for Health System
 Excellence, Inc.
 The Virginia G. Piper Charitable Trust
 The Dorothy Rider Pool Health Care Trust
 Portsmouth General Hospital Foundation
 Pottstown Area Health & Wellness Foundation
 Public Welfare Foundation
 Quantum Foundation
 QueensCare
 John Randolph Foundation
 The Rapides Foundation
 The REACH Healthcare Foundation
 Michael Reese Health Trust
 Regence BlueCross BlueShield of Oregon
 The Retirement Research Foundation
 John Rex Endowment
 Kate B. Reynolds Charitable Trust
 The Rhode Island Foundation
 Richmond Memorial Health Foundation
 Fannie E. Rippel Foundation
 Riverside Community Health Foundation
 Roche
 Rockwell Fund, Inc.
 Rose Community Foundation
 Saint Ann Foundation
 St. David's Community Health Foundation
 St. Joseph Community Health Foundation
 St. Luke's Episcopal Health Charities
 Saint Luke's Foundation of Cleveland, Ohio
 St. Luke's Health Initiatives
 The Fan Fox and Leslie R. Samuels Foundation, Inc.
 The San Francisco Foundation

Sierra Health Foundation
Sisters of Charity Foundation of Canton
Sisters of Charity Foundation of Cleveland
Sisters of Charity Foundation of South Carolina
The Sisters of St. Joseph Charitable Fund
Sisters of St. Joseph Healthcare Foundation
The Skillman Foundation
Richard and Susan Smith Family Foundation
The Barbara Smith Fund
Otho S.A. Sprague Memorial Institute
Staunton Farm Foundation
Sunflower Foundation: Health Care for Kansans
Tenet Healthcare Foundation
Tides Foundation

Tufts Health Plan
UniHealth Foundation
United Hospital Fund
United Methodist Health Ministry Fund
Universal Health Care Foundation of Connecticut, Inc.
VHA Health Foundation Inc.
Virginia Health Care Foundation
Washington Dental Service Foundation
Washington Square Health Foundation, Inc.
Welborn Baptist Foundation, Inc.
Westlake Health Foundation
Williamsburg Community Health Foundation
Winter Park Health Foundation
Wyandotte Health Foundation



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2005

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grantmakers In Health
Washington, D.C.

We have audited the accompanying statements of financial position of Grantmakers In Health as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Grantmakers In Health as of December 31, 2005 and 2004, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Sarfino and Rhoades, LLP

January 20, 2006

STATEMENTS OF FINANCIAL POSITION

	DECEMBER 31, 2005	DECEMBER 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 7)	\$ 1,022,061	\$ 892,091
Pledges receivable, current portion (Note 2)	404,004	698,590
Prepaid expenses and other	5,940	10,426
TOTAL CURRENT ASSETS	\$ 1,432,005	\$ 1,601,107
OTHER ASSETS:		
Investments (Notes 1 and 3)	\$ 2,094,559	\$ 1,925,849
Deposit	15,155	15,155
Pledges receivable (Note 2)	-	533,956
TOTAL OTHER ASSETS	\$ 2,109,714	\$ 2,474,960
PROPERTY AND EQUIPMENT (Notes 1 and 4)	\$ 95,206	\$ 129,700
TOTAL ASSETS	\$ 3,636,925	\$ 4,205,767
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 45,588	\$ 36,504
Deferred lease benefit (Note 5)	49,713	41,316
Deferred revenue - annual meeting (Note 1)	60,150	41,757
TOTAL CURRENT LIABILITIES	\$ 155,451	\$ 119,577
COMMITMENTS (Note 5)		
NET ASSETS (Notes 1 and 6):		
Unrestricted:		
Undesignated	\$ 356,732	\$ 358,742
Board designated	2,116,113	1,918,721
Temporarily restricted	1,008,629	1,808,727
TOTAL NET ASSETS	\$ 3,481,474	\$ 4,086,190
TOTAL LIABILITIES AND NET ASSETS	\$ 3,636,925	\$ 4,205,767

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31,

	2005			2004		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Grants and contributions (Notes 1 and 2)	\$ 1,130,370	\$ 502,250	\$ 1,632,620	\$ 1,714,748	\$ 1,103,250	\$ 2,817,998
Investment income	103,068	---	103,068	45,844	---	45,844
Realized and unrealized gain on investments	94,324	---	94,324	120,137	---	120,137
Registration fees	368,400	---	368,400	299,892	---	299,892
Net assets released from restrictions	1,302,348	(1,302,348)	---	497,673	(497,673)	---
TOTAL SUPPORT AND REVENUES	\$ 2,998,510	\$ (800,098)	\$ 2,198,412	\$ 2,678,294	\$ 605,577	\$ 3,283,871
EXPENSES:						
Programs	\$ 2,295,322	\$ ---	\$ 2,295,322	\$ 1,993,941	\$ ---	\$ 1,993,941
General and administrative	399,355	---	399,355	469,553	---	469,553
Fund raising	108,451	---	108,451	105,115	---	105,115
TOTAL EXPENSES	\$ 2,803,128	\$ ---	\$ 2,803,128	\$ 2,568,609	\$ ---	\$ 2,568,609
CHANGES IN NET ASSETS	\$ 195,382	\$ (800,098)	\$ (604,716)	\$ 109,685	\$ 605,577	\$ 715,262
NET ASSETS, BEGINNING OF YEAR	2,277,463	1,808,727	4,086,190	2,167,778	1,203,150	3,370,928
NET ASSETS, END OF YEAR	\$2,472,845	\$1,008,629	\$3,481,474	\$2,277,463	\$1,808,727	\$4,086,190

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors and registrants	\$ 2,829,562	\$ 2,679,693
Cash paid to suppliers and employees	(2,713,576)	(2,467,701)
Interest and dividends received	103,068	45,844
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 219,054	\$ 257,836
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	\$ 480,741	\$ 451,961
Purchases of investments	(555,127)	(488,761)
Purchases of property and equipment	(14,698)	(14,933)
NET CASH USED IN INVESTING ACTIVITIES	\$ (89,084)	\$ (51,733)
NET INCREASE IN CASH	\$ 129,970	\$ 206,103
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	892,091	685,988
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,022,061	\$ 892,091
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ (604,716)	\$ 715,262
Reconciliation adjustments:		
Depreciation	49,192	49,630
Realized and unrealized gains on investments	(94,324)	(120,137)
Changes in assets and liabilities:		
Pledges receivable	828,542	(438,197)
Prepaid expenses and other	4,486	(2,280)
Accounts payable and accrued expenses	9,084	3,903
Deferred lease benefit	8,397	12,113
Deferred revenue	18,393	37,542
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 219,054	\$ 257,836

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 and 2004

Note 1. Organization and Summary of Significant Accounting Policies

Organization – Grantmakers In Health (the Organization) is an educational organization serving trustees and staff of foundations and corporate giving programs. Its mission is to help grantmakers improve the nation's health by building philanthropic knowledge, skills, and effectiveness and by fostering communication and collaboration among grantmakers and with others. The Organization accomplishes its mission through a variety of activities, to include technical assistance and consultation, convening, publishing, education and training, conducting studies of the field, and brokering professional relationships.

Basis of Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred. The financial statements reflect unrestricted, temporarily restricted, and permanently restricted net assets and activities. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of the unrestricted class. As of December 31, 2005 and 2004, the Organization had no permanently restricted net assets.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of Estimates – Preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair market value in the Statements of Financial Position. The investment in

GAM Avalon Funds Lancelot, LLC (GAM), which is owned by GIH's investment advisor, UBS Financial Services, Inc., is valued by the management of GAM based on the underlying assets held by GAM. The net realized and unrealized gains and losses on investments are reflected in the Statements of Activities.

Cash and Cash Equivalents – For purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment – Property and equipment are recorded at cost. Depreciation is provided over estimated useful lives between 5 and 10 years using the straight-line method.

The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts, and any resulting gain or loss is recorded in the Statements of Activities. Maintenance and repairs are included as expenses when incurred.

Deferred Revenue – Revenue received but not earned is classified as deferred revenue on the statements of financial position.

Income Taxes – The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The organization did not have any unrelated business income for December 31, 2005 and 2004.

Expense Allocation – The costs of providing various programs have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among programs and supporting services.

Note 2. Pledges Receivable – Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Organization. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year. The Organization considers pledges receivable fully collectible; accordingly, no allowance for uncollectible pledges has been provided.

Due to the nature of these pledges, significant increases and decreases in net assets may occur. These significant fluctuations can arise as contributions are recognized as support in the fiscal period in which they are pledged, but the expenses incurred with such contributions occur in a different fiscal period. During 2005, the Organization collected \$924,197 of pledges which had been recognized as support in 2004.

In addition, \$88,670 of pledges recognized as support in 2005 are expected to be collected in 2006.

Total unconditional promises to give were as follows at December 31, 2005 and 2004:

	2005	2004
Receivable in less than one year	\$ 404,004	\$ 698,590
Receivable in one to five years:		
Total long-term pledges receivable	\$ --	\$ 565,416
Less, discount to net present value	--	31,460
Net long-term pledges receivable	\$ --	\$ 533,956
Total pledges receivable	\$ 404,004	\$ 1,232,546

Note 3. Investments – Investments consist of mutual funds. Aggregate cost and values of investments as of December 31, 2005 and 2004 are summarized as follows:

	2005	2004
MARKET VALUE:		
American Funds Growth Fund - Class A	\$ 559,591	\$ 489,891
MFS Value Fund	513,126	--
American Funds Euro Pacific Growth Fund - Class A	248,599	205,255
Touchstone Emerging Growth Fund - Class A	207,740	187,595
Gateway Fund	147,156	140,599
GAM Avalon Funds Lancelot, LLC	143,335	138,906
Evergreen Core Bond Fund - Class A	141,972	140,940
T. Rowe Price Short Term Bond Fund	133,040	135,315
American Funds Washington Mutual Investors Fund - Class A	--	487,348
Total	\$ 2,094,559	\$ 1,925,849
Aggregate cost	\$ 1,742,697	\$ 1,640,951

Note 4. Property and Equipment – Components of property and equipment include the following as of December 31, 2005 and 2004:

	2005	2004
Furniture and equipment	\$ 322,639	\$ 312,391
Leasehold improvements	19,173	14,723
Total property and equipment	\$ 341,812	\$ 327,114
Less, accumulated depreciation	246,606	197,414
Net property and equipment	\$ 95,206	\$ 129,700

Depreciation expense for the years ended December 31, 2005 and 2004 amounted to \$49,192 and \$49,630, respectively.

Note 5. Commitments – The Organization entered into a ten-year lease for office space in December 2003. Total rent expense under the office lease for the years ended December 31, 2005 and 2004 was \$206,818 and \$206,293, respectively. The defined future rental increases in the lease are amortized on a straight-line basis in accordance with U.S. generally accepted accounting principles. This gives rise to a deferred lease benefit, which is also amortized over the term of the lease.

The Organization leases office equipment under operating leases. The future minimum payments are as follows:

Year ended	Office Lease	Equipment	Total
December 31, 2006	\$ 197,548	\$ 15,252	\$ 212,800
2007	201,499	15,252	216,751
2008	205,529	15,252	220,781
2009	209,640	15,252	224,892
2010	213,833	9,498	223,331
Thereafter	421,702	2,245	423,947
Total	\$ 1,449,751	\$ 72,751	\$ 1,522,502

The Organization has entered into certain agreements with hotels relating to the annual conferences in fiscal years 2006 and 2007. Such agreements generally contain provisions which obligate the Organization to book a minimum number of room nights and to spend certain minimums on food and beverages. Should these minimums not be achieved, the agreements obligate the Organization to pay certain specified amounts.

Note 6. Net Assets – Temporarily restricted net

assets were as follows at December 31, 2005 and 2004:

	2005	2004
Resource Center	\$ 233,334	\$ 467,166
Support Center	218,750	236,221
Pledges Receivable - Operations	185,180	374,595
RWJF/WKKF Access Collaborative	160,535	245,767
Health Grantmakers Access Project	88,210	150,000
Future Issue Dialogues/Meetings	73,880	220,198
Intersection Between Grantmakers and Policymakers	30,000	--
Annual Meeting	12,500	29,917
GIH/MCHB Partnership	6,240	13,840
Public Policy Audioconference Series and Activities	--	58,554
Healthy Behaviors/Social Marketing Dialogue	--	12,469
Total	\$ 1,008,629	\$ 1,808,727

Board designated funds consisted of the following at December 31, 2005 and 2004:

	2005	2004
General:		
Balance, beginning of year	\$ 1,743,721	\$ 1,577,740
Net investment income	197,392	165,981
Balance, end of year	\$ 1,941,113	\$ 1,743,721
Future Program Development	175,000	175,000
Total	\$ 2,116,113	\$ 1,918,721

Note 7. Concentration of Credit Risk – Financial instruments which potentially subject the Organization to concentrations of credit risk include cash deposits with a commercial bank and a brokerage firm. The Organization's cash management policies limit its exposure to concentrations of credit risk by maintaining a primary cash account at a financial institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). However, cash in excess of \$100,000 per institution is generally not covered by the FDIC.

Note 8. Retirement Plan – The Organization maintains a non-contributory defined contribution pension plan, qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. Under the plan, each eligible employee receives a contribution to their account in the amount of fifteen percent (15%) of compensation. Contributions to the plan for the years ended December 31, 2005 and 2004 were \$94,748 and \$89,947, respectively.



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