



IRVINE HEALTH FOUNDATION

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MILESTONES IN GIVING



IRVINE HEALTH FOUNDATION

THE IRVINE HEALTH FOUNDATION IS A NON-PROFIT GRANTMAKING FOUNDATION WHOSE GOAL IS TO IMPROVE THE HEALTH – CONSISTING OF PHYSICAL, MENTAL AND EMOTIONAL WELL-BEING – OF THE RESIDENTS OF ORANGE COUNTY, CALIFORNIA. THE FOUNDATION IS FOCUSED ON PROMOTING HEALTH AND WELLNESS, INSURING THE AVAILABILITY OF ACCESSIBLE, QUALITY HEALTH-RELATED SERVICES, WORKING IN THE AREA OF HEALTH POLICY, AND SUPPORTING RESEARCH DESIGNED TO DEVELOP NEW KNOWLEDGE IN AREAS RELATED TO HEALTH.

MILESTONES IN GIVING

“THE PROGRAMS WE SUPPORT REFLECT OUR COMMITMENT TO THE HEALTH OF OUR CITIZENS AS WE PREPARE TO ENTER THE NEXT CENTURY. PHILANTHROPY IS, AFTER ALL, AN INVESTMENT IN THE FUTURE.”



This passage, from our 10th Anniversary Report to the People, was more prescient than any of us at the Irvine Health Foundation could have hoped. Today, as we mark our 20th year of service, we are just as committed to the health of Orange County citizens and investing in the future as we were 10 and even 20 years ago.

Back in 1985 – in the “old” 20th Century – the Irvine Health Foundation was small by grant-making foundation standards. Created through the efforts of numerous individuals dedicated to bringing a hospital to Irvine, the Foundation began with a \$15 million initial endowment, and did not solicit donations or hold fund-raising events (we still do not). We managed our income and growth with an active investment strategy, maneuvering through a national recession and other obstacles with patience and perseverance.

In 1995, we reported that after awarding nearly \$10 million in grants and paying all administrative expenses, our portfolio exceeded \$22 million. I said then, “With this coordinated investment-giving policy, our contributions will far exceed our initial endowment in the next decade.”

The strategy worked. Today, our portfolio exceeds \$24 million with total grant spending in excess of \$20 million over 20 years. This is a testament to our prudent approach to asset allocation and spending policies, as well as the tireless work of our long-standing and dedicated Board of Directors and staff.

But while the business aspect of the Foundation is critical to its success, we are not just about, nor is this report merely a celebration of balance sheets. These numbers, every dollar, represent people touched, lives changed and even saved. This report is a celebration and acknowledgement of the people and organizations working to improve the health of our community.

Through our stewardship and the unyielding determination of our community, we address HIV/AIDS treatment, services and prevention. We help seniors via the Irvine Adult Day Health Services Center, Inc. and serve children with programs ranging from immunization to prevention and treatment of disease, to Attention Deficit Disorder. We support numerous educational and research programs at local universities which had and will continue to have a significant impact on the future of health and medicine, including the establishment of a new community hospital.

Our grants through the years help organizations help themselves, addressing not just their immediate needs but establishing the groundwork for ongoing self sufficiency. This is both our legacy and our continuing commitment.

Enjoy our report. It is, after all, a testament to what people in our community have done to help improve the health and well being of all Orange County residents – during the last century, in this century, and beyond.

David G. Sills
Chairman of the Board
Irvine Health Foundation



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UC Irvine Brain Imaging Center — In 1988, IHF awarded the UC Irvine Brain Imaging Center its largest grant to date (\$575,000) to purchase a cyclotron, a machine that produces isotopes for PET scans. These Positron Emission Tomography (PET) scans study brain functions rather than structures, giving researchers not only a valuable research tool, but also a clinical resource for patients suffering from disorders such as schizophrenia, epilepsy, stroke and Alzheimer's disease. Shortly after the cyclotron arrived, the National Institute of Mental Health awarded \$3 million to UCI's Department of Psychiatry to study schizophrenia.



HIV/AIDS,
HOMELESS,
CRIME AND
DRUG
PREVENTION,
SENIOR CARE,
CHILDHOOD
DEVELOPMENT,
HEALTH
EDUCATION...
THESE ARE JUST SOME
OF THE ISSUES THE
FOUNDATION
ADDRESSED IN ITS
FIRST YEARS,
PROVIDING THE
INITIAL SUPPORT
GRANTEES NEEDED
TO GROW AND
SERVE THE ORANGE
COUNTY COMMUNITY
ON THEIR OWN.

In The Beginning

Health care doesn't always happen in a hospital or doctor's office. It happens in the community, in small and dedicated organizations, becoming a part of people's everyday lives.

This is how the Irvine Health Foundation began — in the community, by the community and for the community.

Who could have known back in 1985 that a one-time, \$15 million grant from the Irvine Medical Center, Inc. (comprised of People for an Irvine Hospital, the Irvine Medical and Dental Societies and members of the greater Irvine business community) would grow to help hundreds of organizations and programs, and help countless children, adults and seniors live better, healthier lives. It wasn't always easy — nothing worth doing ever is — but it worked, thanks to the vision of the Foundation Board and the grantee organizations themselves.

"Don't be Afraid to Sink a Dry Hole"

The Foundation's philosophy of stewardship, as well as its sometimes-bold approach to grant making, was evident in one of its first-ever grant awards in 1986.

"Don't be afraid to sink a dry hole," said Jim Swanson, recalling Foundation Chairman David Sills' reasoning for assisting the Irvine Child Development Center at UC Irvine. Swanson, the Center's director and a world-renowned leader in behavioral problems in children, was glad the Foundation took that risk back in 1986 — thanks to the Foundation, Swanson's program grew from a "dry hole" to a national showcase that helped change federal law to make Attention Deficit Disorder a recognized disability.

"The IHF grant jump-started the program here," Swanson said in 1995. "We simply couldn't have done it without the Irvine Health Foundation."

The Past is Prologue...Again

There are countless examples like these — real-life stories of how determined grantees changed lives for the better. And the work continues, with programs and services reaching out to new segments of the community, from children and families to seniors and immigrants. A new hospital for Orange County at the UCI Medical Center and partnerships with like-minded funders are just some of the way the Foundation is bringing its past into the future.

Ten years ago, we said "the past is prologue." Now, ten years later and 20 years since that initial one-time endowment, the story is just beginning.



Laguna Beach Community Clinic — The city of Laguna Beach had one of the highest per capita rates of HIV and AIDS cases in the nation — yet in the mid to late 1980s, there was only minimal support of efforts to deal with this serious public health problem. The Irvine Health Foundation saw a need and provided critical support for the HIV Early Intervention Program staff at the Laguna Beach Community Clinic. Other similar organizations, including The AIDS Services Foundation, AIDS Response Program, Laguna Shanti, and AIDS Walk Orange County, all benefited from Foundation grants.

**Sometimes all it takes
is a vision...and someone
willing to take a chance."**

— Dr. Jim Swanson,
Director, Irvine Child
Development Center



1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004



Impact on the Future

IHF IS AN INNOVATIVE ORGANIZATION, FILLING FUNDING GAPS FOR ESSENTIAL HEALTHCARE PROJECTS IN ORANGE COUNTY THROUGH ITS STRATEGIC BUSINESS PRACTICES, ITS AGGRESSIVE STYLE AND ITS VISION FOR THE FUTURE.

The Irvine Health Foundation stands for common purposes rather than individual accomplishments, focusing on what can be done with others for the greatest number of people. When one group does something, there are limits — but when multiple organizations come together, there are limitless possibilities.

IHF is a founding member of *The Health Funders Partnership of Orange County* (HFPOC), a collaborative of local funders. The funders identify critical health needs, such as diabetes and oral hygiene for children, and contribute funding and resources to address them.

The latest initiative, the Healthcare SafetyNet, is perhaps the most ambitious of all. The purpose of the safety net project is to create a coordinated, appropriate system to provide access to health care services in local neighborhoods and communities of Orange County, serving vulnerable populations facing significant barriers to care.

“We need a sustainable, comprehensive, and well-coordinated system to ensure access to fair and quality health care for all — and that system simply doesn’t exist today in Orange County,” said IHF President Ed Kacic. “Through the cooperative efforts of health care providers, we can deliver services to the uninsured, underinsured and others lacking access, avoiding undue costs of delayed or denied care while redistributing the burden of uncompensated care more evenly.”

An Ambitious Mission

All people should receive appropriate and adequate health care within their own communities. The care should be compassionate as well as cost effective. And it should be blind to economic or social status.

This mission is attainable — ensuring that there are basic, humane standards

of care that no one falls below is reasonable and just. And the care goes beyond the physical, including treatment and services for mental health and substance abuse.

Restoring health is critical, but so is maintaining and improving health for the long term. This is the ultimate goal of the SafetyNet — quality health care not just for all but for all time.

Looking Back on the Future

No Foundation can address the significant health issues facing our community alone, or realize success within a short time frame. Today, smart, responsible grantmaking requires strategic thinking, working together and looking ahead for the long term.

When one group does something there are limits — but when multiple groups come together, there are limitless possibilities.

- Case in point: A new community hospital at the UCI Medical Center campus in Orange, slated to open in 2008, will be one of the finest academic medical centers in the country and help advance the patient care, education and research mission of the School of Medicine. IHF was one of many major donors throughout the county who came together to help UCI realize its vision.

Working together, the “multiplier effect” created by our grant programs — whether they come to us externally or are developed internally by the Irvine Health Foundation — will help change and improve health throughout the County.

As we said at the beginning of this report, the “past is prologue” — and if this is true, then the future of Orange County looks very bright indeed.

After all, the future is nothing more than a book filled with imagination and anticipation, possibility and potential, risk and great reward.

Welcome to the next chapter.



1985 1986 1987 1988 1989 1990 1991 1992 1993

(IHF) Distinguished Lecture Series on Brain, Learning and Memory — Founded on the UC Irvine campus in 1983, the Center for the Neurobiology of Learning and Memory was the first research center in the world dedicated exclusively to multidisciplinary investigation of the brain functions that allow us to process information and make and store memories. Through a grant from the Irvine Health Foundation, CNLM expanded its public education in 1995 by organizing the IHF Distinguished Lecture Series on Brain, Learning and Memory. The annual series of free lectures by highly recognized and distinguished scientists has attracted sold out or near-capacity audiences since the series began ten years ago. Due to the program’s success, the University is able to bring the world’s leading neuroscientists to Irvine to share their research and insights on a number of health-related topics.

Opening in 2008, the new UCI Medical Center will house the latest medical technologies and strengthen UCI's ability to provide specialized medical and surgical treatments.



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Layla Abdul — a survivor's story

THE PAST IS PROLOGUE AND OUR STORY IS JUST BEGINNING

The Irvine Health Foundation has been actively involved in supporting prevention and services for victims of domestic violence, including programs such as New Directions for Women, the CSP Domestic Violence Program and the Orange County Sexual Assault Network. The Foundation's relationship with Human Options and Second Step not only supports the Foundation's goals, but also fulfills a specific community need: Affordable housing for victims of abuse.

Although there were some temporary shelters for abused women in Orange County, those with no financial resources or job skills either found themselves on the street or back in the abusive relationship. Second Step was the answer.

Said Cindy Campbell, Second Step's housing director: "The women who come here have nothing — they are at the bottom. "They need to regain their self-esteem and realize they don't need to be in an abusive relationship. Without this program, these women would drop out of sight."

Children's Health Initiative – Coverage for All

There are between 38,000 and 44,000 uninsured children in Orange County. Although many are currently eligible for insurance programs, additional funding and products are needed to serve this population.

The Children's Health Initiative proposes:

- Coverage for all children
- Seamless enrollment and retention process
- An additional health coverage product for children ineligible for public programs
- Integrate the new product with existing plans for enrollment/retention
- Train and certify staff to coordinate applications and care

For Abdul, Human Options was indeed a lifesaver. Following is how she describes her experience with human options in her own words:

How has Human Options changed your life?

"I came here and I was so naive, and now I look back and I can't believe where I am now. I have a totally different life. I appreciate that I can breathe and be happy, and I could not do that without Human Options. They healed my past and gave me a future.

"I wanted my kids to grow up without that violence at home. Now my son is in college and my daughters are in High School. I never thought that would happen. I'm one of the lucky people."

What are you doing now?

"I started working for Human Options in 1996, first as a children's program aide and now as a case manager for follow-up clients. I help with counseling, budgeting, food – basically helping women put their lives back together."

Why did you want to work here?

"I wanted to help kids learn and express themselves. I wanted women to know life can be changed, that life can be different. And I wanted to give back to Human Options for all the things they did for my kids and me.

"Maybe I was meant to come and work here. I found that this was my passion, my heart was here. I can give back to the community.

"Women say they don't know if they can make it – but I can tell them I have been in their shoes and that they can survive. You just have to want to change your life."

— Layla Abdul



1985 1986 1987 1988 1989 1990 1991 1992 1993

The Health Funders Partnership of Orange County — IHF is a founding member of the Partnership, a collaborative of local funders. The funders identify critical health needs, such as diabetes and oral hygiene for children, and contribute funding and resources to address them. Using the Orange County Health Needs Assessment (www.ochna.org) as a primary guide, the Partnership works on multi-year funding initiatives as well as short-term incubation projects.

Ten years ago, Layla Abdul arrived at Human Options in fear for her life and for her kids. Today Layla is a case manager at Human Options, helping other women begin their lives again free from fear and violence.



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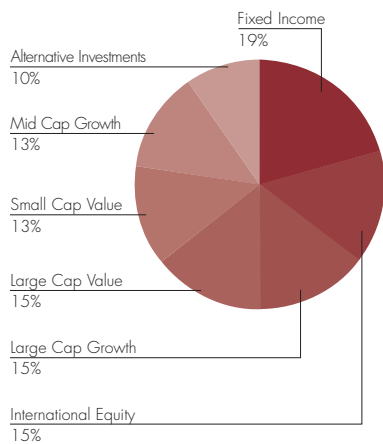
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Financials

INVESTING IN HEALTH- INVESTING IN OUR FUTURE

IHF ASSET ALLOCATION
Policy Portfolio at June 30, 2005



We began this 20-year journey with an endowment, a dedicated Board of Directors and staff, and some serious challenges. One of our challenges is the need to balance current spending with long term asset growth. The only way to achieve these goals is through a rigorous investment program.

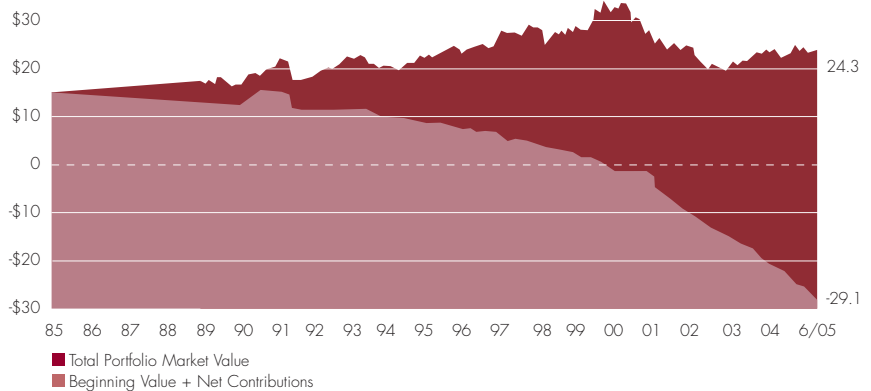
IHF's current investment program, instituted in 1990 is both dynamic and prudent. Through the use of some "classic" as well as "state of the art" portfolio management approaches, we developed a comprehensive asset allocation policy, and implemented our policy through active management. We utilize a number of excellent outside investment management firms, each focused on a subset of our strategy. We also utilize a stringent rebalancing policy to ensure that actual investment allocations (among equity styles and between asset classes) stay within the

ranges deemed prudent by the Board of Directors. As can be seen in the chart below, each of these components has added value such that our investment returns (net of all fees) exceed that of a hypothetical portfolio indexed to our asset allocation policy benchmark.

If you look at the graphic on this page you will see what we mean. We began with an endowment of \$15 million. Over our 20 year history, our investment earnings have totaled almost \$35 million. This has allowed us to spend — in the form of grants, expenditures for charitable purposes and operating expenses, an amount that is almost double our initial endowment value, while ending our 20th year with assets of \$24 million. In other words, our assets now stand 160% above the original value after spending almost twice our initial endowment.

This is important not so we can claim to be astute investors — rather this is important because as our assets grow, so does our ability to serve our community.

INVESTMENT EARNINGS AND CASH FLOW



IHF INVESTMENT RETURNS
As of June 30, 2005

Annualized Return	One Year	Three Years	Five Years	Ten Years	Since 1990
IHF Actual	10.30%	10.20%	3.70%	9.50%	10.70%
Policy Benchmark	9.40%	10.50%	4.30%	9.30%	9.80%



1997 1998 1999 2000 2001 2002 2003 2004

The Gerald B. Sinykin, MD, Chair in Family Medicine — In coordination with UCI, the Irvine Health Foundation established the Gerald B. Sinykin Chair in Family Medicine at the UCI Irvine College of Medicine. The College is an established leader in the training of family physicians, and the Sinykin Chair guarantees that the Family Medicine program will remain under the direction of a major figure in the field. Moreover, it ensures that UCI will continue to prepare its graduates to use the newest research and integrate it into everyday patient care. The Sinykin Chair in Family Medicine is a testament to Dr. Sinykin's accomplishments and a beacon to all those who would serve in it - a reminder that medicine is not just about doing your best, but is also about helping others do their best. It's about motivation and dedication, management and leadership, responsibility and humanity.

Board of Directors and Staff

Board of Directors:

David G. Sills, Chairman
Timothy L. Strader, Vice-Chairman
John C. Gaffney, Treasurer
Carol M. McDermott, Secretary
Gary H. Hunt, Director
Jack W. Peltason, Director
Gerald B. Sinykin, M.D., Director

Staff:

Edward B. Kacic, President
Patricia A. Cruz, Program Director
Amber M. Fry, Administrative Assistant



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