

SALEM HEALTH AND
WELLNESS FOUNDATION, INC.

AUDIT REPORT

DECEMBER 31, 2004

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

REPORT FOR

THE YEAR ENDED

DECEMBER 31, 2004

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EDWARD T. GHEYSENS, JR.
Certified Public Accountant

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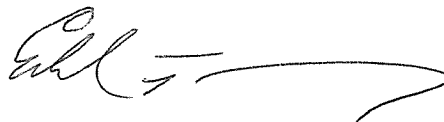
INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salem Health and Wellness Foundation, Inc.
P.O. Box 95
Salem, New Jersey 08079

I have audited the accompanying statement of financial position of Salem Health and Wellness Foundation, Inc., a nonprofit organization, as of December 31, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Salem Health and Wellness Foundation, Inc. as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.



EDWARD T. GHEYSENS, JR.
Certified Public Accountant

May 25, 2005

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2004

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents (Note 2)	\$ 170,265
Prepaid Expenses	4,890
Investment Income Receivable	27,018
Unconditional Promise to Give	79,656
Investments - SEI Trust Company (Note 5)	23,597,661
Cash Surrender Value - AIG Insurance Policy	<u>89,174</u>

TOTAL CURRENT ASSETS \$ 23,968,664

NONCURRENT ASSETS

Escrow Account - Wachovia Bank (Note 6)	\$ 9,990,128
Assets Held in Perpetuity By Outside Trustees (Note 7)	12,152,546
Equipment, Net (Note 8)	<u>22,011</u>

TOTAL NONCURRENT ASSETS 22,164,685

TOTAL ASSETS \$ 46,133,349

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 973
Grants Payable (Note 9)	115,500
Accrued Payroll Taxes	<u>516</u>

TOTAL LIABILITIES \$ 116,989

NET ASSETS

Unrestricted	\$ 23,873,686
Temporarily Restricted	9,990,128
Permanently Restricted	<u>12,152,546</u>

TOTAL NET ASSETS 46,016,360

TOTAL LIABILITIES AND NET ASSETS \$ 46,133,349

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS, AND OTHER SUPPORT</u>				
Contributions	\$ 86,775			\$ 86,775
Additional Proceeds-Sale of Hospital	2,000,000			2,000,000
Distributions-Perpetual Trusts	535,915			535,915
Interest Income	151,807			151,807
Dividend Income	668,840			668,840
Change in Value of Assets Held in Perpetuity by Outside Trustees			\$ 244,463	244,463
Transfer of Insurance Policy Pre- viously Owned by Memorial Hosp.	92,292			92,292
Change in Cash Surrender Value of Insurance Policy	3,073			3,073
Gain on Sale of Securities	186,567			186,567
Capital Gain Distributions	154,697			154,697
Unrealized Gain on Investments	1,266,581	\$(776)		1,265,805
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 5,146,547	\$(776)	\$ 244,463	\$ 5,390,234
<u>EXPENSES</u>				
Program Services	\$ 340,500			\$ 340,500
Supporting Services				
Management and General	340,067			340,067
Fundraising	21,459			21,459
TOTAL EXPENSES	\$ 702,026	\$ -0-	\$ -0-	\$ 702,026
INCREASE (DECREASE) IN NET ASSETS	\$ 4,444,521	\$(776)	\$ 244,463	\$ 4,688,208
NET ASSETS - JANUARY 1, 2004	19,429,165	9,990,904	11,908,083	41,328,152
NET ASSETS - DECEMBER 31, 2004	<u>\$ 23,873,686</u>	<u>\$ 9,990,128</u>	<u>\$ 12,152,546</u>	<u>\$ 46,016,360</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>SUPPORTING SERVICES</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising/ Donor Development</u>	<u>Total</u>
Grants Awarded (Note 9)	\$ 340,500			\$ 340,500
Direct Mail/Printing		\$ 307	\$ 10,074	10,381
Postage		675	9,631	10,306
Software Licensing			1,754	1,754
Accounting/Audit Fees		12,290		12,290
Advertising		238		238
NJ Filing Fees		350		350
Dues and Memberships		2,000		2,000
Equipment Maintenance		926		926
Insurance		2,780		2,780
Internet Access Fees		1,144		1,144
Legal Fees		2,374		2,374
Meetings and Conferences		755		755
Office Supplies		1,910		1,910
Outreach Seminar		478		478
P.O. Box Rental		76		76
Office Rent		10,600		10,600
Brokerage Fees - SEI		131,165		131,165
Staff Training		52		52
Subscriptions		122		122
Telephone		1,838		1,838
Travel		404		404
Wages		146,417		146,417
Payroll Taxes		11,975		11,975
Insurance Premiums - AIG (Net)		6,192		6,192
Depreciation		4,999		4,999
	<u>\$ 340,500</u>	<u>\$ 340,067</u>	<u>\$ 21,459</u>	<u>\$ 702,026</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets	\$ 4,688,208
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	4,999
Gain on Sale of Securities	(186,567)
Unrealized Gain on Investments	(1,265,805)
Change in Assets and Liabilities:	
Increase in Prepaid Expenses	(538)
Decrease in Investment Income Receivable	96,049
Increase in Unconditional Promise to Give	(79,656)
Increase in Cash Surrender Value - Insurance	(89,174)
Increase in Assets Held in Perpetuity by Outside Trustees	(244,463)
Increase in Accounts Payable	760
Decrease in Accrued Payroll Taxes	(3,892)
Increase in Grants Payable	<u>115,500</u>
CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,035,421

CASH FLOWS FROM INVESTING ACTIVITIES:

Equipment Acquisitions	\$(159)
Proceeds - Sales of Investments	5,678,977
Purchases of Investments	<u>(9,138,599)</u>
CASH USED IN INVESTING ACTIVITIES	<u>(3,459,781)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	\$(424,360)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2004	<u>594,625</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2004	<u>\$ 170,265</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Foundation was formed to receive the proceeds of the sale of Memorial Hospital of Salem County.

The Foundation's mission is to promote the health and wellness of Salem County residents through investing in programs and services that improve community health, well being and access to health care delivery for all.

Basis of Presentation

The financial statements are prepared on the accrual basis of accounting and are in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-For-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with 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.

Promises to Give

Unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed Services

No amounts have been reflected in the accompanying financial statements for donated services since they do not meet the criteria for recognition under Statement of Financial Accounting Standard No. 116.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

Equipment

Equipment is stated at cost. Expenditures which substantially increase the economic useful lives of the assets are capitalized. Expenditures for maintenance and repairs necessary to maintain the assets in efficient operating condition are expensed currently. Assets retired, or otherwise disposed of, are eliminated from their respective asset accounts. Any gains or losses from dispositions, other than trade-ins on like property, are included in income.

Depreciation

Depreciation is computed by using the straight line method over the economic useful lives of the assets. Depreciation rates are based on the following range of lives:

Equipment 4 to 10 Years

Depreciation expense for the year ended December 31, 2004, is \$ 4,999.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Hudson United Bank - Business Checking	\$ 19,274
SEI Checking Account (CCA)	71,639
SEI Cash - Investment Account	55,278
SEI Liquid Asset Prime Obligation Fund	<u>24,074</u>
Total	<u>\$ 170,265</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

NOTE 3 CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances and investments in various financial institutions. These deposits exceed the FDIC Insurance limit. However, the Foundation has not experienced any losses in these accounts. The management of the Foundation believes that the financial institutions have strong credit ratings and that the credit risk related to these deposits is minimal.

NOTE 4 PROCEEDS - SALE OF MEMORIAL HOSPITAL OF SALEM COUNTY (9/30/2002)

The net proceeds from the sale of Memorial Hospital of Salem County on 9/30/2002 was \$ 32,207,639. The disposition of said funds was as follows:

To Salem Health and Wellness Foundation	\$ 14,600,000
To Wachovia Escrow Account for the Benefit of Salem Health and Wellness Foundation	10,000,000
To Memorial Hospital of Salem County (seller)	<u>7,607,639</u>
 Total Proceeds	 <u>\$ 32,207,639</u>

The amount of the proceeds received by Memorial Hospital of Salem County (seller), \$ 7,607,639, was set aside at settlement in order to meet any outstanding liabilities of Memorial Hospital of Salem County. These funds were transferred to the Fenwick Corporation/Salem Memorial Corporation, that is responsible for the administration of said funds. The balance being administered by the Fenwick Corporation/Salem Memorial Corporation, net of estimated liabilities, as of December 31, 2004, is \$ 4,975,196. Because of the uncertainty relating to the disposition of the funds being administered by the Fenwick Corporation/Salem Memorial Corporation, amounts are not recorded by Salem Health and Wellness Foundation, Inc., until they are deemed designated for distribution to the Foundation.

NOTE 5 INVESTMENTS - SEI TRUST COMPANY

Investments are stated at fair value and are summarized as follows, as of December 31, 2004:

	<u>Cost</u>	<u>Fair Value</u>
SEI Core Fixed Income Fund	\$ 7,744,218	\$ 7,828,280
Domestic Stocks	9,942,759	11,717,767
SEI International Equity Fund	1,353,300	1,743,815
SEI Small Cap Fund	<u>2,052,022</u>	<u>2,307,799</u>
 Total	 <u>\$ 21,092,299</u>	 <u>\$ 23,597,661</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

NOTE 6 ESCROW ACCOUNT - WACHOVIA BANK

An escrow agreement was entered into and effective as of September 30, 2002, by and among the Memorial Hospital of Salem County, Inc. ("seller"), Salem Hospital Corporation ("buyer"), and Wachovia Bank ("escrow agent").

The escrow account is being held for the benefit of Salem Health and Wellness Foundation to the extent it is not used to satisfy certain indemnification obligations of the seller. Income earned on the account is distributed quarterly to Salem Health and Wellness Foundation.

The buyer and the seller agree that on the five year anniversary of the sale date, the escrow agent shall disburse the escrow funds exceeding \$ 5,000,000 to Salem Health and Wellness Foundation. The buyer and seller agree that on the ten year anniversary of the sale, the escrow agent shall disburse the remaining escrow funds to Salem Health and Wellness Foundation.

NOTE 7 ASSETS HELD IN PERPETUITY BY OUTSIDE TRUSTEES

Assets held in perpetuity by outside trustees are perpetual trusts administered by independent trustees. The assets are recognized at the estimated fair value of the related trust assets, which are generally composed of mutual funds and cash and cash equivalents. Because the trusts are perpetual in nature and the corpus cannot be violated, they are reported as permanently restricted net assets.

<u>Perpetual Trust</u>	<u>Value</u> <u>1/1/04</u>	<u>Value</u> <u>12/31/04</u>	<u>Change</u> <u>In Value</u>	<u>Distributions</u> <u>12/31/04</u>
Fox Trust	\$ 705,024	\$ 699,211	\$(5,813)	\$ 64,124
Huber Trust	136,426	139,971	3,545	4,680
Huber Scholarship	121,471	119,384	(2,087)	9,590
Rumsey Trust	232,635	239,462	6,827	6,917
Hitchner Trust	10,467,191	10,696,389	229,198	445,884
Parvin Trust	205,982	217,959	11,977	4,657
Sherron Trust	32,074	33,777	1,703	63
Hiles Trust	7,280	6,393	(887)	-0-
	<u>\$ 11,908,083</u>	<u>\$ 12,152,546</u>	<u>\$ 244,463</u>	<u>\$ 535,915</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

NOTE 8 EQUIPMENT

Equipment Consists of the Following:

Computer Equipment	\$ 21,912
Furniture and Fixtures	<u>6,490</u>
Total Cost	\$ 28,402
Less: Accumulated Depreciation	<u>(6,391)</u>
Equipment, Net	<u>\$ 22,011</u>

NOTE 9 GRANTS/GRANTS PAYABLE

Grants are recognized as liabilities at the time the board of trustees authorizes the expenditures, regardless of the year in which the grant is paid. A summary of grants and grants payable for 2004 is as follows:

<u>Grant Recipient</u>	<u>Committment As Of January 1, 2004</u>	<u>Grants Authorized During 2004</u>	<u>Grant Payments Made During 2004</u>	<u>Committment As Of December 31, 2004</u>
YMCA of Salem County	\$ -0-	\$ 60,000	\$ 55,000	\$ 5,000
Salem Community College	-0-	90,000	65,000	25,000
Daytop - NJ	-0-	65,500	50,000	15,500
Alzheimer's Assoc.	-0-	50,000	40,000	10,000
Shadow Equestrian, Inc.	-0-	15,000	15,000	-0-
Robin's Nest, Inc.	-0-	<u>60,000</u>	<u>-0-</u>	<u>60,000</u>
	<u>\$ -0-</u>	<u>\$ 340,500</u>	<u>\$ 225,000</u>	<u>\$ 115,500</u>

Commitments at December 31, 2004 are payable as follows:

Year Ending December 31, 2005	\$ 95,500
Year Ending December 31, 2006	<u>20,000</u>
	<u>\$ 115,500</u>

Grant commitments payable after December 31, 2004 were not discounted to fair value because the discount value would have an immaterial effect on the financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

NOTE 10 OPERATING LEASE COMMITMENT

The Foundation's lease agreement for office space with Salem County Board for Vocational Education, commencing December 1, 2003, was automatically extended on December 1, 2004 for one year, until November 30, 2005. The monthly rental amount due is \$ 883.31, including custodial services. The following is a schedule, by years, of future minimum rentals under the operating lease as of December 31, 2004:

Year Ending December 31, 2005	<u>\$ 9,716</u>
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NOTE 11 403(B) PENSION PLAN

In May of 2004, the Foundation established a 403(B) custodial account for its employees with the American Funds Group. This plan is an employee contributory plan, only. The foundation does not contribute to the plan and incurs no expenses in connection with the plan.