SALEM HEALTH AND WELLNESS FOUNDATION, INC.

AUDIT REPORT

DECEMBER 31, 2015

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
REPORT FOR
THE YEAR ENDED
DECEMBER 31, 2015

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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.

I have audited the accompanying financial statements of Salem Health and Wellness Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EDWARD T. GHEYSENS, JR.
Certified Public Accountant
Woodstown, New Jersey

May 16, 2016

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSTION
DECEMBER 31, 2015

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	$ 292,582	
Miscellaneous Receivable	6,886	
Prepaid Expenses	15,772	
TOTAL CURRENT ASSETS		$ 315,240
NONCURRENT ASSETS		
Assets Held in Perpetuity By Outside Trustees (Note 5)	$ 10,853,117	
Equipment, Net (Note 6)	19,345	
TOTAL NONCURRENT ASSETS		10,872,462
TOTAL ASSETS		$ 11,187,702
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 10,783	
Accrued Wages	6,023	
Accrued Payroll Taxes	2,556	
TOTAL LIABILITIES		$ 19,362
NET ASSETS		
Unrestricted	$ 295,878	
Permanently Restricted	10,872,462	
TOTAL NET ASSETS		11,168,340
TOTAL LIABILITIES AND NET ASSETS		$ 11,187,702

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 160,663			$ 160,663
Additional Proceeds-Sale of Hospital	719			719
Distributions-Perpetual Trusts	496,597		$ 19,345	515,942
Interest Income	52			52
TOTAL REVENUES, GAINS AND OTHER SUPPORT	$ 658,031	$ -	$ 19,345	$ 677,376
EXPENSES AND LOSSES				
Program Services	$ 590,742			$ 590,742
Supporting Services:				
Management and General	99,570			99,570
Fundraising	11,362			11,362
Change in Value of Assets Held in Perpetuity by Outside Trustees			$ 822,860	822,860
TOTAL EXPENSES	$ 701,674	$ -	$ 822,860	$ 1,524,534
DECREASE IN NET ASSETS	$ (43,643)	$ -	$ (803,515)	$ (847,158)
NET ASSETS - JANUARY 1, 2015	324,521		11,675,977	12,000,498
PRIOR PERIOD ADJUSTMENT (NOTE 12)	15,000			15,000
NET ASSETS - DECEMBER 31, 2015	$ 295,878	$ -	$ 10,872,462	$ 11,168,340

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising/ Donor Development	Total
403B Plan Administration	$ 741	$ 161	$ 48	$ 950
Postage	485	106	31	622
Accounting/Audit Fees		20,720		20,720
Employee Benefits		2,167		2,167
Marketing	2,512	62		2,574
Information Services Support (IT)	867	189	56	1,112
Pension Expense	8,131	1,772	521	10,424
Equipment Maintenance	734	160	47	941
Insurance		8,818		8,818
Communications	19,911	5,616		25,527
Dues & Memberships	1,513	1,513		3,026
Internet Access Fees	631	138	40	809
Legal Fees	5,206	1,134	334	6,674
Meetings and Conferences	3,174	692	203	4,069
Miscellaneous	45	130		175
Office Cleaning	1,622	354	104	2,080
Office Supplies/Expenses	1,831	399	117	2,347
Consulting Fees	71,697			71,697
Office Rent		14,400		14,400
Telephone	2,267	494	145	2,906
Travel	3,792	827	243	4,862
Wages	136,091	29,661	8,724	174,476
Payroll Taxes	11,089	2,417	711	14,217
MHSC Unclaimed Insurance		3,000		3,000
Online Grantmaking Software	4,374			4,374
Subscriptions	178	177		355
State Filing Fees		278		278
Contributions	285,968			285,968
Contribution to Community Foundation of NJ (Note 8)	27,297			27,297
Depreciation		4,057		4,057
Website Hosting	586	128	38	752
	$ 590,742	$ 99,570	$ 11,362	$ 701,674

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From:		
Contributions	$ 146,263	
Proceeds - Sale of Hospital	719	
Distributions - Perpetual Trusts	515,942	
Interest Income	52	
Cash Paid To/For:		
Employees	(201,015)	
Grants Paid Out	(66,405)	
Contributions Paid Out	(292,894)	
Cash Donation to Community Foundation of NJ	(27,297)	
Operating Expenses/Suppliers	(207,351)	
NET CASH USED IN OPERATING ACTIVITIES		$ (131,986)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment Acquisitions	$ (1,585)	
NET CASH USED IN INVESTING ACTIVITIES		(1,585)
NET DECREASE IN CASH AND CASH EQUIVALENTS		$ (133,571)
CASH AND CASH EQUIVALENTS - JANUARY 1, 2015		426,113
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2015		$ 292,542

See accompanying notes and accountant's report.

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 invest in sustainable initiatives that promote the overall health of Salem County, NJ residents. The Foundation's vision is to be a financial resource for organizations specializing in servicing the health needs that are deemed to be unmet or underserved.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Revenue Recognition

The foundation records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increase in unrestricted net assets if the restrictions expire in the year in which the contributions are received. All other 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

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 revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and promises become unconditional.

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

Contributed Services

A substantial number of volunteers have donated their time to the foundation. No amounts have been reflected in the accompanying financial statements for donated services since they do not meet the criteria for recognition.

Income Taxes

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

Property and Equipment

Property and equipment is stated at cost or at their estimated fair value at date of donation. 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 operation condition are expensed currently. Assets retired, or otherwise disposed of, are eliminated from their respective assets accounts. Any gains or losses from dispositions, other than trade-ins on like property, are include 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	3 to 10 Years
Leasehold Improvements	39 Years

Depreciation expense for the year ended December 31, 2015, is $ 4,057.

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.

Pennsville National Bank - Checking Account	$ 142,530
Pennsville National Bank - Savings Account	150,052
	$ 292,582

NOTE 3 CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash balances at Pennsville National Bank. The 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 Pennsville National Bank has a strong credit rating 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 US Bank Escrow Account for the Benefit Of Salem Health and Wellness Foundation	10,000,000
To Memorial Hospital of Salem County (seller)	7,607,639
Total Proceeds	$32,207,639

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 which was responsible for the administration of said funds for a period of ten years. On the tenth anniversary of the sale of the Hospital, September 30, 2012, the Fenwick Corporation ceased it's business activities and distributed the remaining cash balance in the amount of $ 2,198 to Salem Health and Wellness Foundation.

NOTE 5 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.

Perpetual Trust	Value 1/1/2015	Value 12/31/2015	Change In Value	Distributions 12/31/2015
Fox Trust	$ 660,555	$ 608,683	$ (51,872)	$ 24,386
Huber Trust	131,410	119,398	(12,012)	4,971
Huber Scholarship	95,425	86,859	(8,566)	3,000
Rumsey Trust	204,132	187,175	(16,957)	11,409
Hitchner Trust	10,290,525	9,575,375	(715,150)	460,000
Parvin Trust	293,930	275,627	(18,303)	12,176
	$ 11,675,977	$ 10,853,117	$ (822,860)	$ 515,942

NOTE 6 PROPERTY AND EQUIPMENT

Equipment Consists of the Following:	
Equipment	$ 51,436
Furniture and Fixtures	15,495
Leasehold Improvements	11,762
Total Cost	$ 78,693
Less: Accumulated Depreciation	(59,348)
	$ 19,345

NOTE 7 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 2015 is as follows:

Grant Recipient	Commitment As of 1/1/2015	Grants Awarded During 2015	Grant Pmts Made/ Adjustments During 2015		Commitment As of 12/31/2015
Center for Supportive Schs.	$ 15,000		$ (15,000)		
Salem County Health Dept	15,000		(15,000)	*	
	$ 30,000	$ -	$ (30,000)		$ -

*See Note 12, Prior Period Adjustment.

NOTE 8 CONTRIBUTION TO COMMUNITY FOUNDATION OF NEW JERSEY

On August 20, 2014, Salem Health and Wellness Foundation donated their marketable securities and cash that had been invested and held at SEI Investments Company to the Community Foundation of New Jersey, a public charity, in the amount of $ 52,552,657. On January 6, 2015, cash remaining in Salem Health and Wellness' SEI Investments Company account, in the amount of $ 27,297, was transferred as an additional donation to the Community Foundation of New Jersey.

This donation is an irrevocable grant to the Community Foundation of New Jersey (the "Foundation") and is subject to the following terms and conditions:

1. A special purpose fund shall be established by the Foundation which shall be known as the SALEM HEALTH AND WELLNESS FUND (the "Fund") and will be funded by the securities and cash donated to the Foundation.

2. The fund may not be wholly expendable on a current basis, and so is expected to be held by the Foundation permanently. Annual distribution amounts from the Fund will be determined by the Foundation's Policies and Procedures for Endowed Funds. The entire Fund shall be the property of the Foundation held by it in its corporate capacity and shall not be deemed a separate trust fund held by it in a trustee capacity. The Foundation shall have the ultimate authority and control over all property in the Fund, and the income derived therefrom, for the charitable, educational, scientific, literary, and religious purposes of the Foundation.

NOTE 8 CONTRIBUTION TO COMMUNITY FOUNDATION OF NEW JERSEY (Continued)

3. Distributrions from the Fund shall be made exclusively for purposes which support , assist and develop the health and wellness of residents of Salem County, New Jersey.

4. For so long a Salem Health And Wellness Foundation remains in existence as a New Jersey nonprofit corporation, the Board of Trustees of SHWF will submit recommendations to the Foundation for grants to be made by the Foundation from the Fund. The Foundation shall make grant decisions for the Fund at least quarterly.

NOTE 9 DONATED FACILITIES

On September 8, 2006, the Foundation moved into new office space at 91 S. Virginia Ave., Carneys Point, NJ. This office space has been donated by Pennsville National Bank. The donated facilities will be include as a contribution and the corresponding rental expense at $ 1,200.00 per month. The value of donated facilities included as contributions in the financial statements and the corresponding rental expense for the year ended December 31, 2015 is $ 14,400.

NOTE 10 403(B) PENSION PLAN

In May of 2004, the Foundation established a 403(B) retirement plan for its employees. Through December 31, 2010, the plan was an employee contributory plan, only. Effective January 1, 2011, the Foundation will match employee contributions to the retirement plan up to 6% of compensation. The Foundation's matching contribution expense for the year ended December 31, 2015 is $ 10,424.

NOTE 11 FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The 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 FASB ASC 820 are described as follows:

NOTE 11 FAIR VALUE MEASUREMENTS (Continued)

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in an active market. This level includes common stocks, corporate bonds or mutual funds based on the closing price reported in the active market where the securities are traded.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liablities 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.

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following schedule presents the balances of assets measured at fair value under the Fair Value Option as of December 31, 2015:

Financial Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Cash, Time Deposits & Other Money Market Instruments	$ 292,582	$ -	$ -	$ 292,582

NOTE 12 PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2015, a grant that was awarded in a previous year was terminated or adjusted as follows:

Salem County Department of Health & Human Services

The grant that was awarded 2013 had a grant payable balance remaining in the amount of $ 15,000. It was mutually agreed that this amount was not needed for the original grant purposes and would not be expended by the Salem County Department of Health and Human Services . Therefore, grants payable was reduced by $ 15,000 and recorded as a prior period adjustment.

NOTE 13 SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, non-recognized subsequent events).

The Foundation has evaluated subsequent events through May 16, 2016, which was the date that these financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date.