

**SALEM HEALTH AND
WELLNESS FOUNDATION, INC.**

AUDIT REPORT

DECEMBER 31, 2016

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
REPORT FOR
THE YEAR ENDED
DECEMBER 31, 2016

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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.

REPORT ON THE FINANCIAL STATEMENTS

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, 2016, 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 the 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, 2016, 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, 2017

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents (Note 2)	\$ 500,707
Miscellaneous Receivable	5,541
Prepaid Expenses	<u>15,237</u>

TOTAL CURRENT ASSETS \$ 521,485

NONCURRENT ASSETS

Assets Held in Perpetuity By Outside Trustees (Note 5)	\$ 10,924,607
Equipment, Net (Note 6)	<u>17,857</u>

TOTAL NONCURRENT ASSETS 10,942,464

TOTAL ASSETS \$ 11,463,949

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 28,221
Accrued Wages	6,893
Accrued Payroll Taxes	<u>2,389</u>

TOTAL LIABILITIES \$ 37,503

NET ASSETS

Unrestricted	\$ 496,298
Temporarily Restricted	5,541
Permanently Restricted	<u>10,924,607</u>

TOTAL NET ASSETS 11,426,446

TOTAL LIABILITIES AND NET ASSETS \$ 11,463,949

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS, AND OTHER SUPPORT</u>				
Contributions	\$ 250,116			\$ 250,116
Grant Proceeds		\$ 8,935		8,935
Recovery of Prior Year Grants	20,522			20,522
Distributions-Perpetual Trusts	538,953			538,953
Change in Value of Assets Held in Perpetuity by Outside Trustees			\$ 71,490	71,490
Interest Income	113			113
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	\$ 809,704	\$ 8,935	\$ 71,490	\$ 890,129
	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENSES AND LOSSES</u>				
Program Services	\$ 506,605	\$ 3,394	\$ 19,345	\$ 529,344
Supporting Services:				
Management and General	90,988			90,988
Fundraising	11,691			11,691
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ 609,284	\$ 3,394	\$ 19,345	\$ 632,023
	<hr/>	<hr/>	<hr/>	<hr/>
INCREASE IN NET ASSETS	\$ 200,420	\$ 5,541	\$ 52,145	\$ 258,106
NET ASSETS - JANUARY 1, 2016	295,878		10,872,462	11,168,340
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS - DECEMBER 31, 2016	<u>\$ 496,298</u>	<u>\$ 5,541</u>	<u>\$ 10,924,607</u>	<u>\$ 11,426,446</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising/ Donor Development</u>	<u>Total</u>
403B Plan Administration	\$ 897	\$ 196	\$ 57	\$ 1,150
Postage	440	96	28	564
Accounting/Audit Fees		19,090		19,090
Employee Benefits	4,536	3,199	291	8,026
Marketing	1,617	16		1,633
Information Services Support (IT)	702	153	45	900
Pension Expense	8,378	1,826	537	10,741
Equipment Maintenance	682	148	44	874
Insurance		9,073		9,073
Direct Deposit Fee		91		91
Dues & Memberships	552	551		1,103
Internet Access Fees	654	143	42	839
Legal Fees	3,018	658	193	3,869
Meetings and Conferences	1,835	400	117	2,352
Off-Site Backup	45	45		90
Office Cleaning	1,261	275	81	1,617
Office Supplies/Expenses	1,889	412	121	2,422
Consulting Fees	78,989			78,989
Office Rent		14,400		14,400
Telephone	1,938	422	124	2,484
Travel	3,325	725	213	4,263
Wages	140,316	30,582	8,995	179,893
Payroll Taxes	11,357	2,475	728	14,560
Speaker Fees	828	828		1,656
Online Grantmaking Software	3,478			3,478
Subscriptions	157	157		314
Staff Development/Training	80	80		160
State Filing Fees		278		278
Contributions	261,200			261,200
Depreciation		4,414		4,414
Website Hosting	1,170	255	75	1,500
	<u>\$ 529,344</u>	<u>\$ 90,988</u>	<u>\$ 11,691</u>	<u>\$ 632,023</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From:	
Contributions	\$ 242,602
Grant Proceeds	3,394
Recovery of Prior Year Grants	20,522
Distributions - Perpetual Trusts	538,953
Interest Income	113
Cash Paid To/For:	
Employees	(213,441)
Contributions Paid Out	(261,200)
Operating Expenses/Suppliers	<u>(119,892)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 211,051

CASH FLOWS FROM INVESTING ACTIVITIES:

Equipment Acquisitions	<u>\$ (2,926)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,926)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 208,125
CASH AND CASH EQUIVALENTS - JANUARY 1, 2016	<u>292,582</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2016	<u><u>\$ 500,707</u></u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, is \$ 4,414.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 350,543
Pennsville National Bank - Savings Account	<u>150,164</u>
	<u><u>\$ 500,707</u></u>

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)	<u>7,607,639</u>
Total Proceeds	<u><u>\$32,207,639</u></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 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 its business activities and distributed the remaining cash balance in the amount of \$ 2,198 to Salem Health and Wellness Foundation.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

<u>Perpetual Trust</u>	<u>Value</u> <u>1/1/2016</u>	<u>Value</u> <u>12/31/2016</u>	<u>Change</u> <u>In Value</u>	<u>Distributions</u> <u>12/31/2016</u>
Fox Trust	\$ 608,683	\$ 608,418	\$ (265)	\$ 25,500
Huber Trust	119,398	116,530	(2,868)	6,300
Huber Scholarship	86,859	86,079	(780)	3,000
Rumsey Trust	187,175	190,401	3,226	7,600
Hitchner Trust	9,575,375	9,647,568	72,193	485,000
Parvin Trust	275,627	275,611	(16)	11,553
	<u>\$ 10,853,117</u>	<u>\$ 10,924,607</u>	<u>\$ 71,490</u>	<u>\$ 538,953</u>

NOTE 6 PROPERTY AND EQUIPMENT

Equipment Consists of the Following:

Equipment	\$ 54,362
Furniture and Fixtures	15,495
Leasehold Improvements	<u>11,762</u>
Total Cost	\$ 81,619
Less: Accumulated Depreciation	<u>(63,762)</u>
	<u>\$ 17,857</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 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.
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 8 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, 2016 is \$ 14,400.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9 403(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, 2016 is \$ 10,741.

NOTE 10 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:

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 liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation, or other means.

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.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 FAIR VALUE MEASUREMENTS (Continued)

The following schedule presents the balances of assets measured at fair value under the Fair Value Option as of December 31, 2016:

<u>Financial Assets at Fair Value as of December 31, 2016</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash, Time Deposits & Other				
Money Market Instruments	\$ 500,707	\$ -	\$ -	\$ 500,707
	<u>500,707</u>	<u>-</u>	<u>-</u>	<u>500,707</u>

NOTE 11 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, 2017, 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.