SALEM HEALTH AND WELLNESS FOUNDATION, INC.

AUDIT REPORT

DECEMBER 31, 2019

EDWARD T. GHEYSENS, JR. □ CERTIFIED PUBLIC ACCOUNTANT
SALEM HEALTH AND WELLNESS FOUNDATION, INC.
REPORT FOR
THE YEAR ENDED
DECEMBER 31, 2019

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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, 2019, 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 judgment, 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.

-1-
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, 2019, 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

June 6, 2020

EDWARD T. GHEYSENS, JR. ☑ CERTIFIED PUBLIC ACCOUNTANT
SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

**ASSETS**

**CURRENT ASSETS**
- Cash and Cash Equivalents (Note 2) $4,492,578
- Prepaid Expenses 34,485
- Investment Income Receivable 58,784
- Investments - SEI Private Trust Company (Note 3) 29,037,869

**TOTAL CURRENT ASSETS** $33,623,716

**NONCURRENT ASSETS**
- Property and Equipment, Net (Note 5) $11,588
- Note Receivable - Salem County Hospital Corp. (Note 6) 14,500,000
- Beneficial Interests in Perpetual Trusts (Note 7) 11,239,771

**TOTAL NONCURRENT ASSETS** 25,751,359

**TOTAL ASSETS** $59,375,075

**LIABILITIES AND NET ASSETS**

**LIABILITIES**
- Accounts Payable $47,893
- Accrued Wages 9,126
- Accrued Payroll Taxes 2,845

**TOTAL LIABILITIES** $59,864

**NET ASSETS**
- Without Donor Restrictions $39,489,534
- With Donor Restrictions:
  - Board Designated - Salem Medical Center 8,500,000
  - Beneficial Interests in Perpetual Trusts 11,239,771
  - Donor Restricted - Other 85,906

**TOTAL NET ASSETS** 59,315,211

**TOTAL LIABILITIES AND NET ASSETS** $59,375,075

See notes to financial statements.

EDWARD T. GHEYSENS, JR.  CERTIFIED PUBLIC ACCOUNTANT
SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$ 16,194</td>
<td>$ 16,194</td>
</tr>
<tr>
<td>Grant Proceeds</td>
<td>$ 58,500</td>
<td>58,500</td>
</tr>
<tr>
<td>Distributions-Beneficial Interests Held in Perpetual Trusts</td>
<td>538,182</td>
<td>538,182</td>
</tr>
<tr>
<td>Change in Value of Beneficial Interests Held in Perpetual Trusts</td>
<td>1,178,832</td>
<td>1,178,832</td>
</tr>
<tr>
<td>Investment Income, Net</td>
<td>6,677,217</td>
<td>6,677,217</td>
</tr>
<tr>
<td>Net Assets Released From Restrictions</td>
<td>21,079,134</td>
<td>(21,079,134)</td>
</tr>
</tbody>
</table>

TOTAL REVENUES, GAINS AND OTHER SUPPORT
$ 27,772,545 $(19,303,620) $ 8,468,925

EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td>$ 10,875,406</td>
<td>$ 17,548</td>
<td>$ 10,892,954</td>
</tr>
<tr>
<td>Supporting Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and General</td>
<td>201,014</td>
<td></td>
<td>201,014</td>
</tr>
</tbody>
</table>

TOTAL EXPENSES
$ 11,076,420 $ 17,548 $ 11,093,968

INCREASE/(DECREASE) IN NET ASSETS
$ 16,696,125 $(19,321,168) $(2,625,043)

NET ASSETS - JANUARY 1, 2019
$ 22,793,409 39,146,845 61,940,254

NET ASSETS - DECEMBER 31, 2019
$ 39,489,534 $ 19,825,677 $ 59,315,211

See notes to financial statements.

EDWARD T. GHEYSENS, JR.  □  CERTIFIED PUBLIC ACCOUNTANT
SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>Program Services</th>
<th>Management and General</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>403B Plan Administration Fees</td>
<td>$1,287</td>
<td>$363</td>
</tr>
<tr>
<td>Accounting/Audit Fees</td>
<td>24,760</td>
<td>24,760</td>
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<tr>
<td>Communications</td>
<td>624</td>
<td>624</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>9,274</td>
<td>9,274</td>
</tr>
<tr>
<td>Marketing</td>
<td>761</td>
<td>2,172</td>
</tr>
<tr>
<td>Pension Expense</td>
<td>2,591</td>
<td>11,776</td>
</tr>
<tr>
<td>Equipment Maintenance</td>
<td>154</td>
<td>700</td>
</tr>
<tr>
<td>Insurance</td>
<td>8,981</td>
<td>8,981</td>
</tr>
<tr>
<td>Dues &amp; Memberships</td>
<td>1,050</td>
<td>2,101</td>
</tr>
<tr>
<td>Grant Expenses</td>
<td>3,288</td>
<td>3,288</td>
</tr>
<tr>
<td>Internet Access Fees</td>
<td>238</td>
<td>1,081</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>29,833</td>
<td>135,604</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>529</td>
<td>1,538</td>
</tr>
<tr>
<td>Meetings and Conferences</td>
<td>771</td>
<td>3,505</td>
</tr>
<tr>
<td>Office Cleaning</td>
<td>88</td>
<td>398</td>
</tr>
<tr>
<td>Office Supplies/Expenses</td>
<td>405</td>
<td>1,728</td>
</tr>
<tr>
<td>Consulting Fees</td>
<td>98,456</td>
<td>98,456</td>
</tr>
<tr>
<td>Office Rent</td>
<td>14,400</td>
<td>14,400</td>
</tr>
<tr>
<td>Telephone</td>
<td>603</td>
<td>2,743</td>
</tr>
<tr>
<td>Travel</td>
<td>861</td>
<td>3,915</td>
</tr>
<tr>
<td>Wages</td>
<td>43,666</td>
<td>198,483</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>3,437</td>
<td>15,621</td>
</tr>
<tr>
<td>Online Grantmaking Software</td>
<td>3,929</td>
<td>3,929</td>
</tr>
<tr>
<td>Subscriptions</td>
<td>136</td>
<td>272</td>
</tr>
<tr>
<td>State Filing Fees</td>
<td>288</td>
<td>288</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>2,180</td>
<td>2,180</td>
</tr>
<tr>
<td>Contributions/Grants Paid</td>
<td>10,485,341</td>
<td>10,485,341</td>
</tr>
<tr>
<td>Federal Excise Tax</td>
<td>54,891</td>
<td>54,891</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,558</td>
<td>2,558</td>
</tr>
<tr>
<td>Website Hosting</td>
<td>376</td>
<td>1,711</td>
</tr>
</tbody>
</table>

$10,892,954 $201,014 $11,093,968

See notes to financial statements.

EDWARD T. GHEYSENS, JR. □ CERTIFIED PUBLIC ACCOUNTANT
SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received From:
  Contributions $ 1,794
  Grant Proceeds 58,500
  Distributions - Beneficial Interests in Perpetual Trusts 624,088
  Interest, Dividends, and Long Term Capital Gain Distributions 1,626,431
Cash Paid To/For:
  Employees (233,301)
  Investment Advisory Fees (175,390)
  Contributions and Grants Paid Out (10,485,341)
  Operating Expenses/Suppliers (358,589)

NET CASH USED BY OPERATING ACTIVITIES $ (8,941,808)

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds From Sales of Investments $ 27,426,444
Purchases of Investments (13,426,169)

NET CASH PROVIDED BY INVESTING ACTIVITIES 14,000,275

CASH FLOWS FROM FINANCING ACTIVITIES:

Loan to Salem Medical Center $(14,500,000)

NET CASH USED BY FINANCING ACTIVITIES $(14,500,000)

NET DECREASE IN CASH AND CASH EQUIVALENTS $ (9,441,533)

CASH AND CASH EQUIVALENTS - JANUARY 1, 2019 13,934,111

CASH AND CASH EQUIVALENTS - DECEMBER 31, 2019 $ 4,492,578

See notes to financial statements.

EDWARD T. GHEYSENS, JR. □ CERTIFIED PUBLIC ACCOUNTANT
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.

Classification of Net Assets

Net Assets, revenues, gains, and losses are classified based on the existence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor, grantor, or board-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.
NOTE 1  NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and Uncertainties

The fair value amounts of investments reported in the statement of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities, it is reasonably possible that amounts reported in the accompanying statement of financial position could change materially in the near future.

Promises to Give

Unconditional promises to give are recognized as assets and revenues in the period received. The unconditional promises to give are recorded at net realizable value and are discounted at an appropriate rate commensurate with the risks involved. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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 Internal Revenue Service (the "IRS") has determined that the Foundation is exempt from federal income tax under Section 501(c)(3) of the Code.

As of January 1, 2019, due to its current sources and mix of revenue, the Foundation has voluntarily begun filing income taxes as a private foundation under Section 4942(j)(3) of the Internal Revenue Code. As such, the Foundation is subject to federal excise tax of 2% on 2019 net investment income, as defined under federal law, which includes realized gains on the sale of investments. Effective for tax years beginning after December 20, 2019, the IRS amended the excise tax to provide a single tax rate of 1.39% on net investment income. Thus, the excise tax that the Foundation will pay for 2020 and future years is 1.39% on net investment income.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for maintenance and repairs necessary to maintain the assets in efficient operating condition are expenses currently.
NOTE 1  NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2019, is $2,558.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are allocated among the program and supporting services benefited. Salaries and related expenses are allocated amongst the different functions based on estimates of time and effort of employees, while other expenses, that have not already been directly identified, are allocated based upon management's judgement. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support of the Foundation.

New Accounting Pronouncement

In August, 2016, the Financial Accounting Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard is effective for years beginning after December 15, 2017. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions, and amounts previously reported as temporarily restricted and permanently restricted net assets are now reported as net assets with donor restrictions.
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 $438,713
Pennsville National Bank - Savings Account 25,598
SEI Government Fund 4,028,267

$4,492,578

NOTE 3  INVESTMENTS - SEI PRIVATE TRUST COMPANY

Investments as of December 31, 2019 consist of the following:

Alternative Investments:
- SEI Core Property Fund, LP $2,195,292
- Domestic Equities 11,821,949
- Fixed Income 5,030,077
- International Equities 9,990,551

$29,037,869

NOTE 4  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 5  PROPERTY AND EQUIPMENT

Property and Equipment as of December 31, 2019 consist of the following:

Equipment $54,362
Furniture and Fixtures 15,735
Leasehold Improvements 15,327

Total Cost $85,424
Less: Accumulated Depreciation (73,836)

Property and Equipment, Net $11,588

EDWARD T. GHEYSENS, JR.  □  CERTIFIED PUBLIC ACCOUNTANT
NOTE 6  NOTE RECEIVABLE - SALEM COUNTY HOSPITAL CORP.

On January 31, 2019, the Foundation entered into a Grant and Loan Agreement (the "SMC Agreement") with Salem County Hospital Corp, doing business as Salem Medical Center ("SMC"), a New Jersey corporation exempt from tax under section 501(c)(3) of the Code, to facilitate SMC's purchase of the Memorial Hospital of Salem County, in furtherance of the Foundation's charitable purposes. Included in the Foundation's total financial commitment toward the purchase of $29,000,000 is a $14,500,000 loan to SMC (the "SMC Loan"), bearing interest at 3% per annum. The terms of the SMC Agreement state that the SMC Loan is to be repaid in 35 equal monthly installments of $362,500.00 (interest only) through January 1, 2022. Beginning on February 1, 2022, an additional 145 equal monthly payments of $100,134.34 (principal and interest) will be payable. All of the Hospital's equipment, which is located at SMC, serves as collateral to the SMC Loan.

The SMC Loan is a qualifying distribution within the meaning of Section 4952(g) of the Code, and is considered a program-related investment in accordance with Section 4944(c) of the Code.

<table>
<thead>
<tr>
<th>Amount Due</th>
<th>Long-Term Receivable</th>
<th>Principal Balance At 12/31/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>$14,500,000</td>
<td>$14,500,000</td>
</tr>
</tbody>
</table>

NOTE 7  BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The Foundation has legally enforceable rights and claims to such assets, including the right to income therefrom. The assets are recognized at the estimated fair value of the related trust assets, which are generally composed of cash, cash equivalents, and mutual funds. Because the trusts are perpetual in nature and the corpus cannot be violated, they are reported as net assets with donor restrictions.

The Foundation received a final distribution of the principal of the Trust under Deed of Harold S. Huber dated June 20, 1986, known as the Joseph Michael Galvin, Jr. Scholarship Trust (the "Trust"), following the Trust's termination in accordance with the New Jersey Uniform Trust Code. The distribution is included in the financial statements as net assets with donor restrictions.

EDWARD T. GHEYSENS, JR.  □  CERTIFIED PUBLIC ACCOUNTANT
NOTE 7
Beneficial Interests in Perpetual Trusts (continued)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fox Trust</td>
<td>$645,204</td>
<td>$70,007</td>
<td>$30,000</td>
<td>$538,182</td>
</tr>
<tr>
<td>Huber Trust</td>
<td>121,993</td>
<td>14,073</td>
<td>5,200</td>
<td></td>
</tr>
<tr>
<td>Huber Scholarship</td>
<td>3</td>
<td>6,141</td>
<td>85,906</td>
<td></td>
</tr>
<tr>
<td>Rumsey Trust</td>
<td>203,482</td>
<td>23,768</td>
<td>9,000</td>
<td></td>
</tr>
<tr>
<td>Hitchner Trust</td>
<td>9,972,097</td>
<td>1,029,299</td>
<td>484,000</td>
<td></td>
</tr>
<tr>
<td>Parvin Trust</td>
<td>296,992</td>
<td>35,544</td>
<td>11,982</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$11,239,771</strong></td>
<td><strong>$1,178,832</strong></td>
<td><strong>$85,906</strong></td>
<td><strong>$538,182</strong></td>
</tr>
</tbody>
</table>

NOTE 8
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, 2019 is $11,776.

NOTE 9
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, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants. 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 the topic are described below:

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant Inputs to the valuation model are unobservable.
NOTE 9  FAIR VALUE MEASUREMENTS (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Alternative Investments - This consists of an investment in SEI Core Property Fund, L.P., a limited partnership. These investments are reported at estimated fair values by using the net asset value, as a practical expedient, provided by investment managers (SEI). Because of the inherent uncertainty of valuation, estimated fair values may differ from values that would have been used had a ready market for the investments existed, and the difference could be material. Due to these facts, the alternative investments should not be considered liquid investments that are readily convertible into cash.

Common Stocks - Valued at the quoted price reported on a national securities exchange on which the individual securities are traded.

Registered Investment Companies, Mutual Funds, and ETF's - Valued at the net asset value of the shares held by the Foundation at year-end.

Beneficial Interest in Perpetual Trusts - Valued at the fair value of the assets held in the trusts as reported by the trustees as of year-end. The Foundation considers the measurement of its beneficial interest in the perpetual trusts to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The financial instrument’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following schedule sets forth, by level, the Foundation’s investment assets at fair value, within the fair value hierarchy at December 31, 2019:
SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9  FAIR VALUE MEASUREMENTS (Continued)

Financial Assets at Fair Value as of December 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative Investments</td>
<td></td>
<td></td>
<td>$2,195,292</td>
<td>$2,195,292</td>
</tr>
<tr>
<td>Domestic Equities</td>
<td>$11,821,949</td>
<td></td>
<td></td>
<td>11,821,949</td>
</tr>
<tr>
<td>International Equities</td>
<td>9,990,551</td>
<td></td>
<td></td>
<td>9,990,551</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>2,030,077</td>
<td></td>
<td></td>
<td>2,030,077</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$23,842,577</td>
<td>$ -0-</td>
<td>$2,195,292</td>
<td>$26,037,869</td>
</tr>
<tr>
<td>Beneficial Interests in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perpetual Trusts</td>
<td>$ -0-</td>
<td>$ -0-</td>
<td></td>
<td>$11,239,771</td>
</tr>
</tbody>
</table>

The Foundation recognizes transfers into and out of levels at the end of the reporting period. There were no transfers between levels in the year ended December 31, 2019.

NOTE 10  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 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, 2019 is $14,400.

NOTE 11  LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date of December 31, 2019 comprise the following:

Cash and Cash Equivalents          $ 4,492,578
Investment Income Receivable       58,784
Investments                         18,342,577

$22,893,939

The Foundation's alternative investments, which consist of an investment in a limited partnership at SEI Private Trust Company, is excluded from marketable investments in the above schedule.
SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 12 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 June 6, 2020, which was the date that these financial statements were available for issuance, and determined that the following events were significant non-recognized subsequent events through that date:

First, as of December 31, 2019, the Foundation had not yet distributed $4,500,000 of the total $14,500,000 grant pledged in the SMC Agreement to SMC. The grant installment was distributed in full to SMC on January 2, 2020.

Second on March 24, 2020, the Foundation entered into an additional loan agreement with SMC in the amount of $4,000,000, bearing interest at 3% per annum. SMC will use the proceeds of the loan to fund the Hospital's working capital needs. The terms of this SMC Agreement state that this SMC Loan will accrue interest on a monthly basis on the outstanding balance through April 30, 2021. Beginning on May 1, 2021 the outstanding balance of $4,121,663.83 (principal and accrued interest) will be repaid in 240 equal monthly payments of $22,858.65 (principal and interest). This loan is collateralized by a subordinated security interest in all of the Hospital's equipment, which is located at SMC.

This SMC Loan is a qualifying distribution within the meaning of Section 4952(g) of the Code, and is considered a program-related investment in accordance with Section 4944(c) of the Code.

The Board of Trustees' designation of funds to satisfy these commitments to SMC, totaling $8,500,000, is included in net assets with donor restrictions, as imposed by the Board of Trustees of the Foundation, on the statement of financial position as of December 31, 2019.

The Foundation's operations may be affected by the recent ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March of 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to the Foundation's operations, employee absenteeism, and a decline in the value of assets held by the Foundation, including marketable securities and perpetual trusts.