

SALEM HEALTH AND  
WELLNESS FOUNDATION, INC.

AUDIT REPORT

DECEMBER 31, 2006

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

REPORT FOR  
THE YEAR ENDED  
DECEMBER 31, 2006

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*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, 2006, 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 also 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, 2006, 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 31, 2007

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2006

ASSETS

**CURRENT ASSETS**

Cash and Cash Equivalents (Note 2)	\$ 400,070
Prepaid Expenses	6,214
Investment Income Receivable	114,469
Investments - SEI Trust Company (Note 5)	31,527,264
Cash Surrender Value - AIG Insurance Policy	<u>78,658</u>

**TOTAL CURRENT ASSETS** \$ 32,126,675

**NONCURRENT ASSETS**

Escrow Account - Wachovia Bank (Note 6)	\$ 10,094,146
Assets Held in Perpetuity By Outside Trustees (Note 7)	12,444,684
Equipment, Net (Note 8)	<u>29,161</u>

**TOTAL NONCURRENT ASSETS** 22,567,991

**TOTAL ASSETS** \$ 54,694,666

LIABILITIES AND NET ASSETS

**CURRENT LIABILITIES**

Accounts Payable	\$ 584
Grants Payable (Note 9)	2,456,221
Accrued Payroll Taxes	<u>599</u>

**TOTAL LIABILITIES** \$ 2,457,404

**NET ASSETS**

Unrestricted	\$ 29,698,432
Temporarily Restricted	10,094,146
Permanently Restricted	<u>12,444,684</u>

**TOTAL NET ASSETS** 52,237,262

**TOTAL LIABILITIES AND NET ASSETS** \$ 54,694,666

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>REVENUES, GAINS, AND OTHER SUPPORT</u></b>				
Contributions	\$ 20,702			\$ 20,702
Additional Proceeds-Sale of Hospital	1,000,000			1,000,000
Disbributions-Perpetual Trusts	734,629			734,629
Interest Income	445,249	\$ 58,808		504,057
Dividend Income	1,084,134			1,084,134
Change in Value of Assets Held in Perpetuity By Outside Trustees			\$ 426,432	426,432
Change in Cash Surrender Value of Insurance Policy	3,073			3,073
Gain on Sale of Securities	512,044			512,044
Capital Gain Distributions	535,677			535,677
Unrealized Gain on Securities	1,624,269	36,458		1,660,727
Net Assets Released From Restrictions	40,948		( 40,948)	
	<u>6,000,725</u>	<u>95,266</u>	<u>385,484</u>	<u>6,481,475</u>
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>\$ 6,000,725</b>	<b>\$ 95,266</b>	<b>\$ 385,484</b>	<b>\$ 6,481,475</b>
 <b><u>EXPENSES</u></b>				
Program Services	\$ 2,616,841			\$ 2,616,841
Supporting Services:				
Management and General	380,972			380,972
Fundraising	2,742			2,742
	<u>3,000,555</u>	<u>-0-</u>	<u>-0-</u>	<u>3,000,555</u>
<b>TOTAL EXPENSES</b>	<b>\$ 3,000,555</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 3,000,555</b>
 INCREASE IN NET ASSETS	 \$ 3,000,170	 \$ 95,266	 \$ 385,484	 \$ 3,480,920
NET ASSETS - JANUARY 1, 2006	<u>26,698,262</u>	<u>9,998,880</u>	<u>12,059,200</u>	<u>48,756,342</u>
NET ASSETS - DECEMBER 31, 2006	<u>\$ 29,698,432</u>	<u>\$ 10,094,146</u>	<u>\$ 12,444,684</u>	<u>\$ 52,237,262</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising/ Donor Development</u>	<u>Total</u>
Grants Awarded (Note 9)	\$ 2,571,893			\$ 2,571,893
Direct Mail/Printing			\$ 1,370	1,370
Postage		\$ 1,603		1,603
Accounting/Audit Fees		13,270		13,270
Advertising		863		863
NJ Filing Fees		250		250
Equipment Maintenance		2,639		2,639
Insurance		2,958		2,958
Dues and Memberships		1,132		1,132
Internet Access Fees		1,022		1,022
Legal Fees		1,417		1,417
Meetings and Conferences		803		803
Miscellaneous		251		251
Office Supplies		2,467		2,467
On-Site and Remote Support		3,920		3,920
P.O. Box Rental		80		80
Office Rent		10,907		10,907
Brokerage Fees - SEI		141,233		141,233
Telephone		1,850		1,850
Travel		658		658
Professional Services		1,013		1,013
Wages		164,164		164,164
Payroll Taxes		13,256		13,256
Booth Rental			1,372	1,372
Subscriptions		122		122
Contributions	44,948			44,948
Insurance Premiums - AIG (Net)		7,647		7,647
Depreciation		7,447		7,447
	<u>\$ 2,616,841</u>	<u>\$ 380,972</u>	<u>\$ 2,742</u>	<u>\$ 3,000,555</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Increase in Net Assets	\$ 3,480,920	
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	7,447	
Gain on Sale of Securities	( 512,044)	
Unrealized Gain on Investments	(1,660,727)	
Change in Assets and Liabilities:		
Increase in Prepaid Expenses	( 1,228)	
Increase in Investment Income Receivable	( 72,741)	
Decrease in Cash Surrender Value - Insurance	4,574	
Increase in Assets Held in Perpetuity by Outside Trustees	( 426,432)	
Increase in Accounts Payable	548	
Increase in Accrued Payroll Taxes	62	
Increase in Grants Payable	<u>1,996,089</u>	
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>\$ 2,816,468</b>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Equipment and Leasehold Improvement Acquisitions	\$( 11,438)	
Proceeds - Sales of Investments	7,140,643	
Purchases of Investments	<u>(9,819,743)</u>	
<b>CASH USED IN INVESTING ACTIVITIES</b>		<b><u>(2,690,538)</u></b>

<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 125,930</b>
<b>CASH AND CASH EQUIVALENTS - JANUARY 1, 2006</b>	<b><u>274,140</u></b>
<b>CASH AND CASH EQUIVALENTS - DECEMBER 31, 2006</b>	<b><u>\$ 400,070</u></b>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

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 Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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 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.

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, 2006

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).

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 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	3 to 10 Years
Leasehold Improvements	39 Years

Depreciation expense for the year ended December 31, 2006, is \$7,447.

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.

TD, Banknorth - Business Checking	\$ 54,123
SEI Checking Account (CCA)	29,954
SEI Cash - Investment Account	11,189
SEI Liquid Asset Prime Obligation Fund	294,038
SEI Daily Income Prime Obligation Fund	<u>10,766</u>
Total	<u>\$ 400,070</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

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, 2006, is \$ 2,624,125. 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, 2006:

	<u>Cost</u>	<u>Fair Value</u>
SEI Core Fixed Income Fund	\$ 10,863,546	\$ 10,760,655
Domestic Equities	14,445,632	18,412,920
SEI International Equity Fund	<u>1,899,528</u>	<u>2,353,689</u>
 Total	 <u>\$ 27,208,706</u>	 <u>\$ 31,527,264</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

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>1/1/06</u>	<u>Value</u> <u>12/31/06</u>	<u>Change</u> <u>In Value</u>	<u>Distributions</u> <u>12/31/06</u>
Fox Trust	\$ 701,362	\$ 734,809	\$ 33,447	\$ 32,000
Huber Trust	140,041	146,920	6,879	3,734
Huber Scholarship	97,524	104,089	6,565	1,068
Rumsey Trust	228,021	238,437	10,416	6,531
Hitchner Trust	10,629,996	10,975,536	345,540	686,212
Parvin Trust	<u>221,308</u>	<u>244,893</u>	<u>23,585</u>	<u>5,084</u>
	<u>\$ 12,018,252</u>	<u>\$ 12,444,684</u>	<u>\$ 426,432</u>	<u>\$ 734,629</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 8 PROPERTY AND EQUIPMENT

Equipment Consists of the Following:

Computer Equipment	\$ 31,099
Furniture and Fixtures	6,680
Leasehold Improvements	<u>11,065</u>
 Total Cost	 \$ 48,844
Less: Accumulated Depreciation	<u>(19,683)</u>
 Equipment, Net	 <u>\$ 29,161</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 2006 is as follows:

<u>Grant Recipient</u>	<u>Commitment As Of January 1, 2006</u>	<u>Grants Authorized During 2006</u>	<u>Grant Payments Made During 2006</u>	<u>Commitment As Of December 31, 2006</u>
Salem Community Col	\$ 28,750	\$ 510,944	\$( 20,000)	\$ 519,694
Daytop Village of NJ	-0-	47,500	( 40,000)	7,500
Alzheimer's Assoc.	-0-	50,000	( 30,000)	20,000
Shadow Equestrian, Inc	15,000	-0-	( 15,000)	-0-
Robin's Nest, Inc.	20,000	-0-	( 20,000)	-0-
United Way	11,300	-0-	( 11,300)	-0-
Emmanuel Cancer Fdtn.	5,000	-0-	-0-	5,000
Cooper Univ. Hosp.	330,660	-0-	(141,279)	189,381
S.J. Healthcare	4,750	-0-	( 4,750)	-0-
American Cancer Soc.	19,240	-0-	( 15,000)	4,240
Sodat of NJ, Inc.	20,000	-0-	( 20,000)	-0-
Community Healthcare	5,432	-0-	( 5,432)	-0-
Maryville, Inc.	-0-	45,000	( 30,000)	15,000
Caring Neighbors HC	-0-	1,343,353	-0-	1,343,353
Friends Vil @Woodstn	-0-	20,801	( 10,000)	10,801
Salvation Army	-0-	52,171	( 13,043)	39,128
Ranch Hope	-0-	126,959	(100,000)	26,959
S.C. Inter-Agency Council	-0-	375,165	(100,000)	275,165
	<u>\$ 460,132</u>	<u>\$ 2,571,893</u>	<u>\$(575,804)</u>	<u>\$ 2,456,221</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 9 GRANTS/GRANTS PAYABLE (continued)

Commitments at December 31, 2006 are payable as follows:

Year Ending December 31, 2007	\$ 1,253,985
Year Ending December 31, 2008	664,882
Year Ending December 31, 2009	<u>537,354</u>
	<u>\$ 2,456,221</u>

Grant commitments payable after December 31, 2006 were not discounted to fair value because the discount value would have an immaterial effect on the financial statements.

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 included as a contribution and the corresponding rental expense at \$ 1,081.04 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, 2006 is \$ 4,036.

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.