

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

AUDIT REPORT

DECEMBER 31, 2007

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
REPORT FOR
THE YEAR ENDED
DECEMBER 31, 2007

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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, 2007, 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, 2007, 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 22, 2008

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents (Note 2)	\$	316,667	
Prepaid Expenses		6,971	
Investment Income Receivable		77,333	
Cash Surrender Value - AIG Insurance Policy		73,327	
Investments - SEI Trust company (Note 5)		38,691,383	
TOTAL CURRENT ASSETS			\$ 39,165,681

NONCURRENT ASSETS

Equipment, Net (Note 8)	\$	22,870	
Escrow Account - US Bank (Note 6)		5,040,793	
Assets Held in Perpetuity By Outside Trustees (Note 7)		12,469,389	
TOTAL NONCURRENT ASSETS			17,533,052

TOTAL ASSETS			\$ 56,698,733
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	3,252	
Accrued Payroll Taxes		924	
Grants Payable (Note 9)		1,312,137	
TOTAL LIABILITIES			\$ 1,316,313

NET ASSETS

Unrestricted	\$	37,872,238	
Temporarily Restricted		5,040,793	
Permanently Restricted		12,469,389	
TOTAL NET ASSETS			55,382,420

TOTAL LIABILITIES AND NET ASSETS			\$ 56,698,733
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See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES, GAINS, AND OTHER SUPPORT</u>				
Contributions	\$ 17,544			\$ 17,544
Additional Proceeds-Sale of Hospital	1,000,000			1,000,000
Distributions-Perpetual Trusts	692,469			692,469
Interest Income	7,373	\$ 447,086		454,459
Dividend Income	1,397,372			1,397,372
Change in Value of Assets Held in Perpetuity by Outside Trustees			\$ 24,705	24,705
Change in Cash Surrender Value of Insurance Policy	3,073			3,073
Gain on Sale of Securities	349,736	10,050		359,786
Capital Gain Distributions	568,269			568,269
Unrealized Gain/(Loss) on Securities	(602,502)	41,295		(561,207)
Net Assets Released from Restrictions	5,551,784	(5,551,784)		-
	\$ 8,985,118	\$ (5,053,353)	\$ 24,705	\$ 3,956,470
<u>EXPENSES</u>				
Program Services	\$ 397,313			\$ 397,313
Supporting Services:				
Management and General	380,455			380,455
Fundraising	33,544			33,544
	\$ 811,312	\$ -	\$ -	\$ 811,312
INCREASE/(DECREASE) IN NET ASSETS	\$ 8,173,806	\$ (5,053,353)	\$ 24,705	\$ 3,145,158
NET ASSETS - JANUARY 1, 2007	29,698,432	10,094,146	12,444,684	52,237,262
NET ASSETS - DECEMBER 31, 2007	\$ 37,872,238	\$ 5,040,793	\$ 12,469,389	\$ 55,382,420

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising/ Donor Development</u>	<u>Total</u>
Grants Awarded (Note 9)	\$ 395,313			\$ 395,313
Direct Mail/Printing		\$ 90	\$ 25,896	25,986
Postage		1,418	4,221	5,639
Accounting/Audit Fees		16,335		16,335
Advertising		7,721	125	7,846
NJ Filing Fees		250		250
Equipment Maintenance		778		778
Insurance		2,809		2,809
Dues & Membership		2,214		2,214
Internet Access Fees		827		827
Legal Fees		162		162
Meetings and Conferences		1,096		1,096
Miscellaneous		123		123
Office Cleaning		242		242
Office Supplies		1,974		1,974
On-Site and Remote Support		983		983
P.O. Box Rental		86		86
Office Rent		12,973		12,973
Brokerage Fees - SEI		163,133		163,133
Telephone		1,502		1,502
Travel		1,332		1,332
Wages		137,106		137,106
Payroll Taxes		11,314		11,314
Booth Rental			1,222	1,222
Software Licenses		176	2,080	2,256
Subscriptions		121		121
Contributions	2,000			2,000
Insurance Premiums - AIG (Net)		8,404		8,404
Depreciation		7,286		7,286
	<u>\$ 397,313</u>	<u>\$ 380,455</u>	<u>\$ 33,544</u>	<u>\$ 811,312</u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets		\$ 3,145,158
Adjustments to Reconcile increase in Net assets to Net Cash Provided by Operating Activities:		
Depreciation		7,286
Gain on Sale of Securities		(359,786)
Unrealized Loss on Investments		561,207
Change in Assets and Liabilities:		
Increase in Prepaid Expenses		(757)
Decrease in Investment Income Receivable		37,136
Decrease in Cash Surrender Value - Insurance		5,331
Increase in Assets Held in Perpetuity by Outside Trustees		(24,705)
Increase in Accounts Payable		2,668
Increase in Accrued Payroll Taxes		325
Decrease in Grants Payable		<u>(1,144,084)</u>
 CASH PROVIDED BY OPERATION ACTIVITIES		 \$ 2,229,779

CASH FLOWS FROM INVESTING ACTIVITIES:

Equipment Acquisitions		\$ (995)
Proceeds - Sales of Investments		19,234,298
Purchases of Investments		<u>(21,546,485)</u>
 CASH USED IN INVESTING ACTIVITIES		 <u>(2,313,182)</u>
 NET DECREASE IN CASH AND CASH EQUIVALENTS		 (83,403)
 CASH AND CASH EQUIVALENTS - JANUARY 1, 2007		 <u>400,070</u>
 CASH AND CASH EQUIVALENTS - DECEMBER 31, 2007		 <u><u>\$ 316,667</u></u>

See accompanying notes and accountant's report.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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, 2007

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 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 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, 2007, is \$7,286.

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	\$ 17,750
SEI Checking Account (CCA)	60,042
SEI Cash – Investment Account	113,826
SEI Liquid Asset Prime Obligation Fund	<u>125,049</u>
	<u>\$316,667</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 9/30/02 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, 2007, is \$ 1,577,006. 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. During the year ended December 31, 2007 The Fenwick Corporation/Salem Memorial Corporation distributed \$ 1,000,000 to Salem Health and Wellness Foundation

NOTE 5 INVESTMENTS – SEI TRUST COMPANY

Investments are stated at fair value and are summarized as follows, as of December 31, 2007:

	<u>Cost</u>	<u>Fair Value</u>
SEI Core Fixed Income Fund	\$ 14,274,727	\$ 14,340,251
Domestic Equities	18,058,082	21,676,209
SEI International Equity Fund	<u>2,620,977</u>	<u>2,674,923</u>
Total	<u>\$ 34,953,786</u>	<u>\$ 38,691,383</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 6 ESCROW ACCOUNT – U S 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 US 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.

During the year ended December 31, 2007, Escrow Funds in the amount of \$ 5,000,000 were released 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>1/1/07</u>	<u>Value</u> <u>12/31/07</u>	<u>Change</u> <u>In Value</u>	<u>Distributions</u> <u>12/31/07</u>
Fox Trust	\$ 734,809	\$ 724,189	\$ (10,620)	\$ 32,000
Huber Trust	146,920	142,582	(4,338)	6,692
Huber Scholarship	104,089	105,032	943	1,342
Rumsey Trust	238,437	233,335	(5,102)	13,979
Hitchner Trust	10,975,536	11,012,427	36,891	633,584
Parvin Trust	<u>244,893</u>	<u>251,824</u>	<u>6,931</u>	<u>4,872</u>
	<u>\$ 12,444,684</u>	<u>\$ 12,469,389</u>	<u>\$ 24,705</u>	<u>\$ 692,469</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 8 PROPERTY AND EQUIPMENT

Equipment Consists of the Following:

Computer Equipment	\$ 32,094
Furniture and Fixtures	6,680
Leasehold Improvements	<u>11,065</u>
 Total Cost	 \$ 49,839
Less: Accumulated Depreciation	<u>(26,969)</u>
	 <u>\$ 22,870</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 2007 is as follows:

<u>Grant Recipient</u>	<u>Commitment As of 1/1/2007</u>	<u>Grants Authorized During 2007</u>	<u>Grant Pmts Made During 2007</u>	<u>Commitment As of 12/31/2007</u>
Salem Community Col	\$ 519,694	\$ -0-	\$ (212,222)	\$ 307,472
Daytop Village of NJ	7,500	-0-	-0-	7,500
Alzheimer's Assoc.	20,000	-0-	(10,000)	10,000
Shadow Equestrian, Inc.	-0-	20,000	(12,000)	8,000
Mt. Pisgah Comm Improv.	-0-	48,645	(39,771)	8,874
United Way	-0-	34,797	(20,000)	14,797
Emmanuel Cancer Fdtn.	5,000	-0-	(5,000)	-0-
Cooper Univ. Hosp.	189,381	-0-	(126,254)	63,127
Salem County Sheriff's Dept	-0-	145,208	(77,860)	67,348
American Cancer Society	4,240	-0-	(4,240)	-0-
Puerto Rican Action Comm.	-0-	14,393	(3,953)	10,440
Community Healthcare	-0-	65,000	(32,500)	32,500
Maryville, Inc.	15,000	-0-	(10,000)	5,000
Caring Neighbors HC	1,343,353	-0-	(818,590)	524,763
Friends Vil @ Woodstn	10,801	-0-	(5,000)	5,801
Salvation Army	39,128	-0-	(13,043)	26,085
Ranch Hope	26,959	-0-	(26,959)	-0-
S.C. Inter-Agency Council	275,165	-0-	(100,000)	175,165
Salem County 2000	<u>-0-</u>	<u>67,270</u>	<u>(22,005)</u>	<u>45,265</u>
	<u>\$ 2,456,221</u>	<u>\$ 395,313</u>	<u>\$ (1,539,397)</u>	<u>\$ 1,312,137</u>

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 9 GRANTS/GRANTS PAYABLE (continued)

Commitments at December 31, 2007 are payable as follows:

Year Ending December 31, 2008	\$ 701,620
Year Ending December 31, 2009	<u>610,517</u>
	<u>\$ 1,312,137</u>

Grant commitments payable after December 31, 2007 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 include 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, 2007 is \$ 12,973.

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.