

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

AUDIT REPORT

DECEMBER 31, 2022

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
REPORT FOR
THE YEAR ENDED
DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Salem Health and Wellness Foundation, Inc.

OPINION

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

BASIS FOR OPINION

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Salem Health and Wellness Foundation, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Salem Health and Wellness Foundation, Inc's

ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 Salem Health and Wellness Foundation, Inc.'s internal control.

Evaluate the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Salem Health and Wellness Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



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

June 3, 2023

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

| | |
|--|------------------|
| Cash and Cash Equivalents (Note 2) | \$ 1,739,191 |
| Prepaid Expenses | 85,067 |
| Investment Income Receivable | 21,810 |
| Investments - SEI Private Trust Company (Note 3) | 19,297,933 |
| Miscellaneous Receivable | 10,277 |
| Interest Receivable - CHA Partners, LLC | 7,890 |
| Note Receivable - CHA Partners, LLC (Note 6) | <u>3,000,000</u> |

TOTAL CURRENT ASSETS \$ 24,162,168

NONCURRENT ASSETS

| | |
|---|-------------------|
| Property and Equipment, Net (Note 5) | \$ 20,708 |
| Beneficial Interests in Perpetual Trusts (Note 7) | <u>10,163,945</u> |

TOTAL NONCURRENT ASSETS 10,184,653

TOTAL ASSETS \$ 34,346,821

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|------------------|---------------|
| Accounts Payable | \$ 9,284 |
| Accrued Expenses | <u>38,275</u> |

TOTAL LIABILITIES \$ 47,559

NET ASSETS

| | |
|----------------------------|-------------------|
| Without Donor Restrictions | \$ 24,049,411 |
| With Donor Restrictions | <u>10,249,851</u> |

TOTAL NET ASSETS 34,299,262

TOTAL LIABILITIES AND NET ASSETS \$ 34,346,821

See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|------------------------------|
| <u>REVENUES, GAINS, AND OTHER SUPPORT</u> | | | |
| Contributions | \$ 15,972 | | \$ 15,972 |
| Grant Proceeds | | \$ 6,500 | 6,500 |
| Distributions-Beneficial Interests Held in Perpetual Trusts | | 549,007 | 549,007 |
| Change in Value of Beneficial Interests Held in Perpetual Trusts | | (2,517,123) | (2,517,123) |
| Investment Loss, Net | (3,776,357) | | (3,776,357) |
| Net Assets Released From Restrictions | <u>552,484</u> | <u>(552,484)</u> | <u> </u> |
| TOTAL REVENUES, LOSSES AND OTHER SUPPORT | <u>\$ (3,207,901)</u> | <u>\$ (2,514,100)</u> | <u>\$ (5,722,001)</u> |
| <u>EXPENSES</u> | | | |
| Program Services | \$ 21,201,035 | \$ 3,023 | \$ 21,204,058 |
| Supporting Services: Management and General | <u>160,936</u> | <u> </u> | <u>160,936</u> |
| TOTAL EXPENSES | <u>\$ 21,361,971</u> | <u>\$ 3,023</u> | <u>\$ 21,364,994</u> |
| DECREASE IN NET ASSETS | \$(24,569,872) | \$ (2,517,123) | \$(27,086,995) |
| NET ASSETS - JANUARY 1, 2022 | <u>48,619,283</u> | <u>12,766,974</u> | <u>61,386,257</u> |
| NET ASSETS - DECEMBER 31, 2022 | <u><u>\$ 24,049,411</u></u> | <u><u>\$ 10,249,851</u></u> | <u><u>\$ 34,299,262</u></u> |

See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------------|----------------------|
| 403B Plan Administration Fees | \$ 897 | \$ 253 | \$ 1,150 |
| Accounting/Audit Fees | | 30,330 | 30,330 |
| Employee Benefits | | 9,234 | 9,234 |
| Grant Expenses | 3,023 | | 3,023 |
| Marketing | 250 | | 250 |
| Pension Expense | 7,815 | 2,204 | 10,019 |
| Equipment Maintenance | 1,477 | 416 | 1,893 |
| Insurance | | 12,587 | 12,587 |
| Dues & Memberships | 804 | 803 | 1,607 |
| Internet Access Fees | 1,037 | 293 | 1,330 |
| Legal Fees | 58,033 | 16,368 | 74,401 |
| Miscellaneous | 1,784 | 342 | 2,126 |
| Meetings and Conferences | 5,368 | 1,515 | 6,883 |
| Office Supplies/Expenses | 6,871 | 754 | 7,625 |
| Consulting Fees | 62,000 | | 62,000 |
| Office Rent | | 14,400 | 14,400 |
| Telephone | 2,093 | 590 | 2,683 |
| Travel | 596 | 168 | 764 |
| Wages | 163,433 | 46,096 | 209,529 |
| Payroll Taxes | 13,162 | 3,712 | 16,874 |
| Communications | 8,763 | 2,471 | 11,234 |
| Subscriptions | 365 | 364 | 729 |
| State Filing Fees | | 283 | 283 |
| Contributions/Grants Paid | 438,072 | | 438,072 |
| Non-Cash Grants (Note 6) | 20,425,473 | | 20,425,473 |
| Federal Excise Tax | | 14,356 | 14,356 |
| Depreciation | | 2,624 | 2,624 |
| Website Hosting | 2,742 | 773 | 3,515 |
| | <u>\$ 21,204,058</u> | <u>\$ 160,936</u> | <u>\$ 21,364,994</u> |

See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|-------------------|
| Cash Received From: | |
| Contributions and Grants | \$ 22,472 |
| Distributions - Beneficial Interests in Perpetual Trusts | 538,730 |
| Interest, Dividends, and Long Term Capital Gain Distributions | 1,136,130 |
| Cash Paid To/For: | |
| Employees | (251,262) |
| Investment Advisory Fees | (84,104) |
| Contributions and Grants Paid Out | (435,072) |
| Operating Expenses/Suppliers | <u>(340,858)</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 586,036 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|--|--------------------|
| Proceeds From Sales of Investments | \$ 4,062,412 |
| Purchases of Investments | (5,120,230) |
| Purchase of Equipment | <u>(3,325)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | (1,061,143) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|-------------------------|
| Note Receivable Principal Payments Received | \$ 1,500,000 |
| Interest Payments Received on Notes Receivable | <u>160,000</u> |
| NET CASH PROVIDED BY FINANCIAL ACTIVITIES | <u>1,660,000</u> |

| | |
|--|-----------------------------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 1,184,893 |
| CASH AND CASH EQUIVALENTS - JANUARY 1, 2022 | <u>554,298</u> |
| CASH AND CASH EQUIVALENTS - DECEMBER 31, 2022 | <u><u>\$ 1,739,191</u></u> |

See notes to financial statements.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 or grantor-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.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 1.39% on net investment income, as defined under federal law, which includes realized gains on the sale of investments.

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.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, is \$ 2,624.

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.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 | \$ 44,755 |
| Pennsville National Bank - Savings Account | 25,625 |
| SEI Government Fund | 1,668,811 |
| | <u>\$ 1,739,191</u> |

NOTE 3 **INVESTMENTS - SEI PRIVATE TRUST COMPANY**

Investments as of December 31, 2022 consist of the following:

| | |
|------------------------|----------------------|
| Domestic Equities | \$ 7,692,321 |
| Fixed Income | 7,585,788 |
| International Equities | 4,019,824 |
| | <u>\$ 19,297,933</u> |

NOTE 4 **CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash balances at Pennsville National Bank. At various times during the year, the Foundation may have cash balances that exceed the FDIC Insurance limits, but management believes that this concentration of cash involves a reasonable level of risk.

NOTE 5 **PROPERTY AND EQUIPMENT**

Property and Equipment as of December 31, 2022 consist of the following:

| | |
|--------------------------------|------------------|
| Equipment | \$ 35,188 |
| Furniture and Fixtures | 15,735 |
| Leaschold Improvements | 15,327 |
| Total Cost | <u>\$ 66,250</u> |
| Less: Accumulated Depreciation | (45,542) |
| Property and Equipment, Net | <u>\$ 20,708</u> |

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 NOTE RECEIVABLE - CHA Partners, LLC

On December 15, 2022, Inspira Health Network, Inc. (Inspira) purchased Salem Medical Center. This transaction was conditional upon Salem Health and Wellness Foundation's forgiveness of the total indebtedness owed to the Foundation by Salem Medical Center in the amount of \$ 24,500,000. This condition was satisfied at the closing of the sale on December 15, 2022, as follows:

1. Salem Medical Center paid principal on the indebtedness owed to the Foundation in the amount of \$ 1,500,000 and accrued interest in the amount of \$ 160,000.
2. The Foundation forgave \$ 20,000,000 of the indebtedness owed to it by Salem Medical Center.
3. The Foundation forgave \$ 425,473 of previously recorded accrued interest.
4. The Foundation entered into a promissory note agreement receivable with CHA Partners, LLC in the amount of \$ 3,000,000.

The terms of the promissory note receivable agreement with CHA Partners, LLC in the amount of \$ 3,000,000 state that interest will be charged on the unpaid principal balance at the rate of 6% per annum, with no periodic payments due. The maturity date of this promissory note receivable shall be April 15, 2023.

The promissory note receivable is personally guaranteed by William J. Colgan and Steven M. Rosefsky of CHA Partners, LLC.

As of June 3, 2023, no payments have been received from CHA Partners, LLC.

| <u>Amount Due</u> <u>Within One Year</u> | <u>Long-Term</u> <u>Receivable</u> | <u>Principal Balance</u> <u>At 12/31/2022</u> |
|---|---------------------------------------|--|
| <u>\$ 3,000,000</u> | <u>\$ -0-</u> | <u>\$ 3,000,000</u> |

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 in 2019 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.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7 BENEFICIAL INTERESTS IN PERPETUAL TRUSTS (continued)

| <u>Perpetual Trust</u> | <u>Value</u> <u>1/1/2022</u> | <u>Change in</u> <u>Value</u> <u>12/31/2022</u> | <u>Value</u> <u>12/31/2022</u> | <u>Income</u> <u>Distributions</u> <u>12/31/2022</u> |
|------------------------|---------------------------------|---|-----------------------------------|--|
| Fox Trust | \$ 738,657 | \$ (152,319) | \$ 586,338 | \$ 30,000 |
| Huber Trust | 135,174 | (26,149) | 109,025 | 2,905 |
| Rumsey Trust | 234,100 | (48,464) | 185,636 | 10,500 |
| Hitchner Trust | 11,242,518 | (2,211,567) | 9,030,951 | 484,000 |
| Parvin Trust | 330,619 | (78,624) | 251,995 | 21,602 |
| | <u>\$ 12,681,068</u> | <u>\$ (2,517,123)</u> | <u>\$ 10,163,945</u> | <u>\$ 549,007</u> |

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, 2022 is \$ 10,019.

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.

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 Escrow Asset. 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, 2022:

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 FAIR VALUE MEASUREMENTS (Continued)

| | <u>Financial Assets at Fair Value as of December 31, 2022</u> | | | |
|---|---|----------------|----------------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Domestic Equities | \$ 7,692,321 | \$ -0- | \$ -0- | 7,692,321 |
| International Equities | 4,019,824 | -0- | -0- | 4,019,824 |
| Fixed Income | <u>7,585,788</u> | <u>-0-</u> | <u>-0-</u> | <u>7,585,788</u> |
| Total Investments | <u>\$ 19,297,933</u> | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 19,297,933</u> |
| Beneficial Interests in Perpetual Trusts | <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 10,163,945</u> | <u>\$ 10,163,945</u> |

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, 2022.

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, 2022 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, 2022 comprise the following:

| | |
|------------------------------|----------------------|
| Cash and Cash Equivalents | \$ 1,739,191 |
| Investment Income Receivable | 21,810 |
| Investments | <u>19,297,933</u> |
| | <u>\$ 21,058,934</u> |

SALEM HEALTH AND WELLNESS FOUNDATION, INC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 3, 2023, which was the date that these financial statements were available to be issued, and determined that the following event was a significant non-recognized subsequent event through that date:

The promissory note receivable entered into on December 15, 2022 with CHA Partners, LLC in the amount of \$ 3,000,000 had a maturity date of April 15, 2023. As of June 3, 2023, no payments have been received from CHA Partners, LLC. The Foundation has contacted their legal representation to deal with this matter.

The Foundation's operations may be affected by the ongoing outbreak of the coronavirus disease 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.