ST. JOSEPH'S HOSPITAL AND MEDICAL CENTER FOUNDATION, INC.
Financial Statements
December 31, 2018 and 2017
With Independent Auditors' Report

withum
ADVISORY TAX AUDIT

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
St. Joseph's Hospital and Medical Center Foundation, Inc.

We have audited the accompanying financial statements of St. Joseph's Hospital and Medical Center Foundation, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph's Hospital and Medical Center Foundation, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2018 St. Joseph's Hospital and Medical Center Foundation, Inc. adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Going Concern

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 1 to the financial statements, on January 1, 2019, the Foundation merged all of its assets and liabilities with St. Joseph's Wayne Hospital Foundation, Inc. and effectively ceased its operations as of that date and will operate under the organizational name St. Joseph's Hospital & Medical Center Foundation, Inc. The financial statements do not include any adjustments that might result from the merger which occurred in 2019. Our conclusion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules on pages 17 - 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Withum Smith + Brown, PC

May 1, 2019

St. Joseph's Hospital and Medical Center Foundation, Inc.
Statements of Financial Position
As of December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 1,633,663	$ 5,034,209
Investments	3,170,244	-
Unconditional promises to give, net	992,093	1,176,504
Prepaid expenses and other current assets	35,648	60,133
Assets held for sale	-	485,000
Notes receivable	-	179,273
Total current assets	5,831,648	6,935,119
Assets whose use is limited	4,264,067	3,976,585
Unconditional promises to give, net	961,938	2,010,580
Notes receivable, net of current portion	-	950,788
Investment property, net of accumulated depreciation of $516,927 (2017)	-	423,178
Cash surrender value of life insurance	16,927	13,456
Beneficial interests in trusts	4,767,340	5,293,610
Total assets	$ 15,841,920	$ 19,603,316
Liabilities and Net Assets		
Current liabilities		
St. Joseph's Hospital and Medical Center payable	$ 201,896	$ 211,731
St. Joseph's Wayne Hospital Foundation payable	135,097	75,653
Accounts payable and accrued expenses	129,941	164,133
Total current liabilites	466,934	451,517
Annuities payable	79,124	81,995
Total liabilities	546,058	533,512
Commitments and contingencies		
Net assets		
Without donor restrictions	6,264,455	7,322,317
With donor restrictions	9,031,407	11,747,487
Total net assets	15,295,862	19,069,804
Total liabilities and net assets	$ 15,841,920	$ 19,603,316

The Notes to Financial Statements are an integral part of these statements.

St. Joseph's Hospital and Medical Center Foundation, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Pledges and contributions	$ 3,013,854	$ 1,459,008	$ 4,472,862	$ 1,540,351	$ 1,181,703	$ 2,722,054
Contributed service revenue	20,886	-	20,886	18,400	-	18,400
Special events	821,721	-	821,721	1,200,389	-	1,200,389
Net rental income - 57 Willowbrook	231,157	-	231,157	216,156	-	216,156
Interest and dividend income, net	271,662	343	272,005	135,616	79	135,695
Net realized and unrealized (loss) gain on investments	(133,376)	-	(133,376)	358,151	-	358,151
Net assets released from restriction	3,649,161	(3,649,161)	-	2,548,583	(2,548,583)	-
Total support and revenue	7,875,065	(2,189,810)	5,685,255	6,017,646	(1,366,801)	4,650,845
Expenses						
Program expenses						
Contributions - St. Joseph's Hospital and Medical Center	1,722,323	-	1,722,323	2,103,285	-	2,103,285
Contributions - other	1,933,743	-	1,933,743	35,590	-	35,590
General and fundraising expenses						
Special events	485,215	-	485,215	824,248	-	824,248
Fundraising expenses and management, administrative and general	906,947	-	906,947	1,114,151	-	1,114,151
Bad debts	1,723,649	-	1,723,649	545,751	-	545,751
Total expenses	6,771,877	-	6,771,877	4,623,025	-	4,623,025
Non-Operating Activity						
Change in beneficial interests in trusts	-	(526,270)	(526,270)	-	377,190	377,190
Changes in net assets before transfer	1,103,188	(2,716,080)	(1,612,892)	1,394,621	(989,611)	405,010
Transfer to St. Joseph's Hospital and Medical Center	(2,161,050)	-	(2,161,050)	-	-	-
Changes in net assets	(1,057,862)	(2,716,080)	(3,773,942)	1,394,621	(989,611)	405,010
Net assets, beginning of year	7,322,317	11,747,487	19,069,804	5,927,696	12,737,098	18,664,794
Net assets, end of year	$ 6,264,455	$ 9,031,407	$ 15,295,862	$ 7,322,317	$ 11,747,487	$ 19,069,804

The Notes to Financial Statements are an integral part of these statements.

St. Joseph's Hospital and Medical Center Foundation, Inc.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	$ (3,773,942)	$ 405,010
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	16,062	13,411
Net realized and unrealized loss (gain) on assets whose use is limited	133,376	(358,151)
Change in beneficial interests in trusts	526,270	(377,190)
Discount on unconditional promises to give	(323,956)	(55,000)
Bad debts	1,723,649	545,751
Transfer of investment property to St. Joseph's Hospital and Medical Center	446,864	-
Transfer of notes receivable to St. Joseph's Hospital and Medical Center	982,510	-
Changes in operating assets and liabilities:		
Unconditional promises to give	318,360	412,881
Prepaid expenses and other current assets	24,485	84,766
Cash surrender value of life insurance	(3,471)	(3,374)
St. Joseph's Hospital and Medical Center payable	(9,835)	(898,256)
St. Joseph's Wayne Hospital Foundation payable	59,444	65,994
Accounts payable and accrued expenses	(34,192)	28,195
Annuities payable	(2,871)	(2,860)
Net cash used by operating activities	82,753	(138,823)
Cash flows from investing activities		
Improvements to investment property	(39,748)	-
Purchase of investments and assets whose use is limited	(8,368,542)	(1,105,547)
Sale of investments and assets whose use is limited	4,777,440	1,062,916
Collection on notes receivable	147,551	161,269
Net cash used by investing activities	(3,483,299)	118,638
Net decrease in cash and cash equivalents	(3,400,546)	(20,185)
Cash and cash equivalents, at beginning of year	5,034,209	5,054,394
Cash and cash equivalents, at end of year	$ 1,633,663	$ 5,034,209
Supplemental disclosures of cash flow information		
Cash paid for interest	$ -	$ -
Cash paid for taxes	$ -	$ -

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION

St. Joseph's Hospital and Medical Center Foundation, Inc. (the “Foundation") is a public charity incorporated in 1982. The Foundation raises funds for St. Joseph's Hospital and Medical Center (the "Medical Center"), its affiliated organizations, as well as other area charitable organizations.

On January 1, 2019, St. Joseph’s Wayne Hospital Foundation, Inc. merged with and into St. Joseph’s Hospital and Medical Center Foundation, Inc., with St. Joseph’s Foundation as the surviving corporation.

SJHCS Foundation Subsidiary, LLC (the “Subsidiary”) was organized as a Limited Liability Company on December 21, 2016 in accordance with the New Jersey Revised Uniform Limited Liability Company Act. The Subsidiary was formed by the Foundation, as the sole member, solely for the purpose of holding property being held for sale that was obtained through a Gift Agreement between a donor and the Foundation. The property represents the only asset of the Subsidiary as of December 31, 2017 and has been included within the financial statements of the Foundation. The Subsidiary sold its only asset on March 29, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. Assets and liabilities are recognized when the assets are acquired or the liability incurred. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

The Foundation separately accounts for its net assets and its revenues, gains and expenses based on the existence or absence of donor or other imposed restrictions as follows:

- Net assets without donor restrictions - consist of resources available for the general support of the Foundation's operations. Net assets without donor restrictions may be used at the discretion of the Foundation's management and Board of Trustees.
- Net assets with donor restrictions - represent amounts restricted by donors for specific activities of the Foundation or to be used at some future date. The Foundation records contributions with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction. However, when restrictions on donor-restricted contributions and investment returns are met in the same accounting period, such amounts are reported as part of net assets without donor restrictions. In addition, net assets with donor restrictions consist of funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments with donor restrictions are available to be used based upon stipulations by the donors.

Use of Estimates

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Contributed Services

The Foundation adopted guidance for recognizing and measuring services received from personnel of an affiliate that directly benefit a recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. As such, the Foundation has recognized in-kind revenue and a corresponding expense for such contributed services associated with accounting personnel who are paid directly by the Medical Center and are not subject to reimbursement by the Foundation.

Cash and Cash Equivalents

For the accompanying statements of cash flows, cash and cash equivalents include all cash balances and any highly liquid investments with a maturity date of three months or less at the time of purchase. Cash and cash equivalents held in managed investment accounts are not included in cash and cash equivalents.

Investments and Assets Whose Use is Limited

Investments and assets whose use is limited include marketable debt and equity securities and are measured at fair value based on quoted market prices, if available, or estimated quoted market prices for similar securities. Donated investments are recorded at fair market value on the date of receipt. Realized and unrealized gains and losses, and interest and dividends, net of investment fees, are reflected separately on the accompanying Statements of Activities and Changes in Net Assets. Realized gains and losses for all investments are determined by the average cost method.

Assets whose use is limited are to be used for net assets with donor restriction purposes.

The Foundation's investments are managed by investment managers. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Beneficial Interests in Trusts

On behalf of the Medical Center, the Foundation is a beneficiary of several trusts established by donors or by New Jersey court order. The Foundation receives annual distributions from the trusts which are included in contributions without or with donor restrictions. Future distributions from these trusts are subject to the Foundation continuing to exist and function. The trusts are held and managed by independent trustees. The beneficial interests in trusts have been reflected at fair value, which approximates account value, in the accompanying Statements of Financial Position.

Investment Property

The investment property related to the Foundation's ownership of two condominium units located at 57 Willowbrook Boulevard, Wayne, New Jersey. Such investments were carried at cost. Depreciation was provided on the straight-line basis over the estimated useful life of 31.5 years.

Maintenance and repairs were charged to expense as incurred. Major improvements and betterments were capitalized.

During 2017, the Board of Trustees of the Foundation passed a resolution to transfer the investment property and related notes receivable and cash balances to the St. Joseph's Hospital and Medical Center. The transfer occurred in 2018 and, accordingly, the cost and related accumulated depreciation were removed from the accounts. The transfer is reflected in the Statement of Activities and Changes in Net Assets.

Revenue and Support Recognition

The Foundation recognizes contributions as revenue when they are received or unconditionally pledged. The revenue from special events is recognized when the event occurs. The Foundation reports any gifts of cash and other assets as restricted support if they are received or unconditionally pledged with donor restrictions that limit the use of the donated assets. However, the receipt of any restricted contributions whose restrictions expire or are otherwise satisfied within the period of receipt are reported as support and revenue without donor restrictions in the Statements of Activities and Changes in Net Assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded at fair market value at the date of the gift and reported as net assets with donor restrictions. Absent explicit donor stipulations regarding the duration those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Rental income for condominium units was recognized monthly, as it was earned. All leases between the Foundation and tenants of the property are operating leases. In 2018, the condominium units were transferred to St. Joseph's Healthcare System.

Functional Allocation of Expenses

The costs of providing the Foundation's programs, fundraising and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Costs that can be identified with a specific program, fundraising event or support service are charged directly to that program, event or support service. Staff costs are allocated based on time and effort. Management, administrative and general expenses include costs not identifiable with any specific program or fundraising event, but which provide overall support and direction of the Foundation.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which to promise is received. Amortization of the discount is included in revenue. These unconditional promises to give are reported as support without or with donor restrictions in the year of the promise as stipulated by the donor or made clear by the donor's intention. Conditional promises to give are not included as support until such time as the conditions are substantially met. An allowance is recorded based on management's estimate of uncollectability including such factors as prior collection history, type of contribution and the nature of the fundraising activity.

Annuities Payable

Included in the investments held by the Foundation are investments in annuity income funds arising from contributions which are subject to agreements to pay donors a fixed annuity over the remainder of their lives. The net present value of the actuarially expected annuity payments is recorded as a liability in the accompanying Statements of Financial Position. The liabilities are adjusted annually for accretion of the discount and changes in actuarial assumptions.

Tax Status

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. The Subsidiary has been organized as a Limited Liability Company. Accordingly, any income or loss generated by the Subsidiary is passed-through to its sole member. As a result, the accompanying financial statements do not reflect a provision for Federal and State income taxes.

The Foundation follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Foundation does not believe its financial statements include any material uncertain tax positions. In addition, there have been no tax related interest or penalties for the period presented in these financial statements. Should any such penalties be incurred, the Foundation's policy would be to recognize them as operating expenses.

Volunteers

A number of volunteers, including the members of the Board, have made significant contributions of time to the Foundation's policymaking, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

New Accounting Pronouncements Not Yet Adopted

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for the Foundation beginning January 1, 2019. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Foundation is currently evaluating the impact of adoption of ASC 606. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Lease Transactions

In February 2016 the FASB issued ASU 2016-02, Leases which is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. In addition to expanded disclosure requirements regarding leasing activities, the new standard significantly changes current lessee accounting for operating leases. Under the new standard all lessees will be required to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases of property and equipment, except for certain leases classified as short-term leases. The Foundation has not adopted the new standard in these financial statements and is presently evaluating the effect adoption will have on prospective financial statements. However, based on the Foundation's present leasing activities, management expects that adoption of the new standard will not require the recognition of significant, long-term right-of-use assets and a lease liability.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18 Statement of Cash Flows (Topic 230) – Restricted Cash, which is effective for fiscal years beginning after December 15, 2018 with early adoption permitted.

Under ASU 2016-18, the statement of cash flows requires an explanation of the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-year and end-of-year total amounts shown on the statement of cash flows.

Reclassification

As disclosed later in this note, the 2017 financial statements were reclassified for the adoption of ASU 2016-14. Changes in net assets and total net assets are unchanged due to the reclassifications.

Adoption of Accounting Principles

Presentation of Financial Statements

In August 2016, the FASB issued ASU 2016-14, Not-for-profit Entities (Topic 958) - Presentation of Financial Statements of Not-for profit Entities. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017, requires a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 underwater endowment funds are accounted for within net assets with donor restrictions and not within net assets without donor restrictions as was the current practice. In addition, the ASU eliminated the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor's restrictions at the time the asset is place in service. The ASU also changed the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns.

The Foundation adopted ASU 2016-14 during the year ended December 31, 2018.

A recapitulation of the net asset reclassification driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total Net Assets
Net assets classifications			
As previously presented			
Unrestricted	$ 7,322,317	$ -	$ 7,322,317
Temporarily restricted	-	6,453,877	6,453,877
Permanently restricted	-	5,293,610	5,293,610
Net assets, as reclassified	$ 7,322,317	$ 11,747,487	$ 19,069,804

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2018, financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	$ 1,633,663
Investments	3,170,244
Unconditional promises to give, net	992,093
	$ 5,796,000

None of the financial assets listed in the table above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Foundation regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, investments and collections of unconditional promises to give.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of raising funds to support the programs and services of the Medical Center to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a positive working capital flow and anticipates collecting sufficient revenue to cover general expenditures not covered by resources with donor restrictions.

4. FAIR VALUE MEASUREMENTS

The Foundation measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses the market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Foundation uses the fair value hierarchy to determine the fair value based on the following:

- Level 1 - Holdings use quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2 - Holdings use the following methods: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time), inputs other than quoted prices that are observable for the assets or liabilities (e.g., interest rates, yield curves volatilities, default rates, etc.), and inputs that are derived principally from or corroborated by other observable market data.
- Level 3 - Holdings use quoted market prices of the Foundation's beneficial interests in the underlying investments of the perpetual trusts.

There have been no changes in valuation techniques for these assets for the years ended December 31, 2018 and 2017.

The following tables present the fair value hierarchy for the Foundation's financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017:

December 31, 2018:	Level 1	Level 2	Level 3	Total
Investments and assets whose use is limited:				
Fixed income				
Government bonds	$ -	$ 4,584,817	$ -	$ 4,584,817
Corporate bonds	-	1,003,243	-	1,003,243
Equities	4,577	-	-	4,577
Beneficial interests in trusts	-	-	4,767,340	4,767,340
	$ 4,577	$ 5,588,060	$ 4,767,340	10,359,977
Cash and cash equivalents included in investments and assets whose use is limited				1,841,674
				$ 12,201,651

December 31, 2017:	Level 1	Level 2	Level 3	Total
Assets whose use is limited:				
Fixed income				
Government bonds	$ -	$ 471,601	$ -	$ 471,601
Corporate bonds	-	449,702	-	449,702
Municipal bonds	-	40,229	-	40,229
Government asset backed securities	-	189,886	-	189,886
Equities	2,228,691	-	-	2,228,691
Mutual funds	61,108	-	-	61,108
Beneficial interests in trusts	-	-	5,293,610	5,293,610
	$ 2,289,799	$ 1,151,418	$ 5,293,610	8,734,827
Cash and cash equivalents included in assets whose use is limited				535,368
				$ 9,270,195

The following table sets forth the change in the fair value of beneficial interests in trusts measured using unobservable inputs (Level 3):

At January 1, 2017	$ 4,916,420
Unrealized gains	377,190
At December 31, 2017	5,293,610
Unrealized losses	(526,270)
At December 31, 2018	$ 4,767,340

The following summarizes the investment income reflected in the accompanying Statements of Activities and Changes in Net Assets for the years ended December 31:

	2018	2017
Interest and dividend income, net	$ 272,005	$ 135,695
Realized gains	50,261	65,569
Unrealized (losses) gains	(183,637)	292,582
	$ 138,629	$ 493,846

5. NOTES RECEIVABLE

During 2007, the Foundation converted its investment property at 57 Willowbrook Boulevard, Wayne, New Jersey into a condominium entity containing three units and sold a portion of the condominium units to unrelated parties. Since then, the Foundation owned approximately one and one third of the original three units. In 2018, the Foundation transferred its investment property and related notes receivable to St. Joseph's Hospital and Medical Center. There are no notes receivable as of December 31, 2018. The following table lists the notes receivable as of December 31, 2017 resulting from the sale of units:

Note secured by a condominium interest. The note is payable over 20 years ending in February 2023. Interest is subject to adjustment every five years at 2.5% over the five year treasury bill rate. Effective August 1, 2015, the interest was set at 4.04%.	$ 598,430
Note secured by a condominium interest. The note is payable over 20 years ending in September 2027. Interest is subject to adjustment every five years at 2.5% above the five year treasury bill rate. Effective September 1, 2017, the interest rate was set at 4.29%.	313,214
Note secured by a condominium interest. The note is payable over 20 years ending in March 2027. Interest is subject to adjustment every five years at 2.5% above the five year treasury bill rate. Effective April 1, 2017, the interest was set at 4.51%.	218,417
	1,130,061
Less current portion	(179,273)
	$ 950,788

Interest income on the notes for the years ended December 31, 2018 and 2017 was $44,386 and $45,861, respectively.

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give include contributions and pledges receivable due from local area residents and businesses. The unconditional promises to give which extend beyond one year are discounted at a range of 3.5% to 4.5% to their fair value as of December 31, 2018 and 2017. Unconditional promises to give are expected to be collected as follows at December 31:

	2018	2017
One year	$ 992,093	$ 1,176,504
Two years to five years	1,754,982	5,127,580
	2,747,075	6,304,084
Present value discount	(113,044)	(437,000)
Allowance for uncollectibles	(680,000)	(2,680,000)
	$ 1,954,031	$ 3,187,084

An unconditional promise to give from one donor accounted for approximately 41% and 62% of the gross receivable at December 31, 2018 and 2017, respectively.

7. NET ASSETS WITH RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purposes:

	2018	2017
Subject to expenditure for specified purpose:		
St. Joseph's is the Future - capital campaign	$ 87,926	$ 1,602,181
Medical equipment and programs	695,223	636,045
Adult and children services	2,203,957	2,520,683
Other health care programs	1,276,961	1,694,968
	4,264,067	6,453,877
Not subject to spending policy or appropriation:		
Beneficial interests in trusts	4,767,340	5,293,610
	$ 9,031,407	$11,747,487

Net assets released from restriction during the years ended December 31, 2018 and 2017 represent expenditures for the following purposes:

	2018	2017
St. Joseph's is the Future - capital campaign	$ 2,196,092	$ 874,766
Medical equipment and programs	88,200	185,322
Adult and children services	1,327,463	1,321,536
Other health care programs	37,406	166,959
Total net assets released from restriction	$ 3,649,161	$ 2,548,583

Included in net assets released from restriction relative to the capital campaign is $1,912,000 of unconditional promises to give written-off during the year ended December 31, 2018.

8. RENTAL INCOME

During the years ended December 31, 2018 and 2017, the Foundation rented its condominium units located at 57 Willowbrook Boulevard, Wayne, New Jersey. An unrelated company leases one unit under an operating lease expiring on December 1, 2021. The condominium units were transferred to St. Joseph's Hospital and Medical Center in 2018. At December 31, 2018, $7,900 in rental income was due to the Foundation from the Medical Center.

9. RELATED PARTY TRANSACTIONS

The Medical Center pays the salaries and benefits of the Foundation's employees. The Foundation reimburses the Medical Center at cost for these amounts. Total salaries and benefits paid by the Medical Center during the years ended December 31, 2018 and 2017 were $528,857 and $749,334, respectively.

The Foundation periodically makes contributions to the Medical Center for the purchase of equipment, the funding of special programs, and for general operations. Contributions to the Medical Center as reported in the accompanying Statements of Activities and Changes in Net Assets were $1,681,668 and $2,103,285 for the years ended December 31, 2018 and 2017, respectively.

The balance due to the Medical Center was $201,896 and $211,731 at December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, contributions or pledge payments collected by the Foundation and year end pledge balances related to combined special events in the amounts of $135,097 and $75,653, respectively, were due to St. Joseph's Wayne Hospital Foundation.

10. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions in excess of federally insured limits and investments. Exposure to credit risk is reduced by placing deposits and investments in highly regarded financial institutions. With respect to cash and cash equivalents in financial institutions, which may periodically during the year exceed federally insured limits, the Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on the balances maintained in the financial institutions. Concentration of credit risk with respect to investments (assets whose use is limited) is reduced by diversification, professional management, and limited exposure to any single investment.

11. FUNCTIONAL EXPENSES

Expenses by functional classification for the year ended December 31, 2018 consists of the following:

	Program Services				
	St. Joseph's Hospital and Medical Center	Other Programs	Management, Administrative and General	Fundraising	Total Expenses
Salaries and wages	$ -	$ -	$ 41,040	$ 369,364	$ 410,404
Employee benefits	-	-	9,738	87,642	97,380
Depreciation	-	-	16,062	-	16,062
Contributions	1,722,323	1,933,743	-	-	3,656,066
Provision for bad debts	-	-	172,365	1,551,284	1,723,649
Special events	-	-	485,215	-	485,215
Other expenses	-	-	38,310	344,791	383,101
Total expenses	$ 1,722,323	$ 1,933,743	$ 762,730	$ 2,353,081	$ 6,771,877

12. SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2018 financial statements for subsequent events through May 1, 2019 the date the financial statements were available to be issued. Other than the Merger of St. Joseph's Wayne Hospital Foundation Inc. with and into St. Joseph's Hospital and Medical Center Foundation, Inc. with St. Joseph's Foundation as the surviving corporation described in Note 1, the Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

St. Joseph's Hospital and Medical Center Foundation, Inc.
Supplementary Schedule on Statements of Financial Position
As of December 31, 2018 and 2017
(All Amounts in Thousands)

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 1,634	$ 5,034
Investments	3,170	-
Unconditional promises to give, net	992	1,177
Prepaid expenses and other current assets	36	545
Notes receivable	-	179
Total current assets	5,832	6,935
Assets whose use is limited	4,264	3,977
Unconditional promises to give, net	962	2,010
Notes receivable, net of current portion	-	951
Investment property, net	-	423
Cash surrender value of life insurance	17	13
Beneficial interests in trusts	4,767	5,294
Total assets	$ 15,842	$ 19,603

See Independent Auditors' Report.

St. Joseph's Hospital and Medical Center Foundation, Inc.
Supplementary Schedule on Statements of Financial Position
As of December 31, 2018 and 2017
(All Amounts in Thousands)

	2018	2017
Liabilities and Net Assets		
Current liabilities		
Due to affiliates	$ 337	$ 287
Accounts payable and accrued expenses	130	164
Total current liabilites	467	451
Annuities payable	79	82
Total liabilities	546	533
Commitments and contingencies		
Net assets		
Without donor restrictions	6,265	7,322
With donor restrictions	9,031	11,748
Total net assets	15,296	19,070
Total liabilities and net assets	$ 15,842	$ 19,603

See Independent Auditors' Report.

St. Joseph's Hospital and Medical Center Foundation, Inc.
Supplementary Schedule on Statements of Operations Without Donor Restrictions
Years Ended December 31, 2018 and 2017
(All Amounts in Thousands)

	2018	2017
Revenues		
Other revenue	$ 4,410	$ 3,176
Net assets released from restriction	3,649	2,549
Total revenues	8,059	5,725
Expenses		
Salaries and wages	410	589
Employee benefits	97	140
Supplies and other	4,541	3,348
Provision for bad debts	1,724	546
Total expenses	6,772	4,623
Excess of revenues over expenses	1,287	1,102
Net unrealized (loss) gain on investments	(184)	293
Increase in net assets without donor restrictions before transfer	1,103	1,395
Transfer to St. Joseph's Hospital and Medical Center	(2,161)	-
Change in net assets without donor restrictions	$ (1,058)	$ 1,395

See Independent Auditors' Report.

St. Joseph's Hospital and Medical Center Foundation, Inc.
Supplementary Schedule on Statements of Changes in Net Assets
Years Ended December 31, 2018 and 2017
(All Amounts in Thousands)

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of revenues over expenses	$ 1,287	$ 1,102
Net unrealized (loss) gain on investments	(184)	293
Transfer to St. Jospeh's Hospital and Medical Center	(2,161)	-
Increase in net assets without donor restrictions	(1,058)	1,395
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,459	1,182
Net assets released from restriction for operations	(3,649)	(2,549)
Change in beneficial interests in trusts	(526)	377
(Decrease) in net assets with donor restrictions	(2,716)	(990)
(DECREASE) INCREASE IN NET ASSETS	(3,774)	405
NET ASSETS - BEGINNING OF YEAR	19,070	18,665
NET ASSETS - END OF YEAR	$ 15,296	$ 19,070

See Independent Auditors' Report.