

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

St. Joseph's Wayne Hospital Foundation, Inc.
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
St. Joseph's Wayne Hospital Foundation, Inc.

We have audited the accompanying financial statements of St. Joseph's Wayne Hospital 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 Wayne Hospital 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

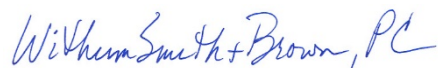
As discussed in Note 2 to the financial statements, in 2018 St. Joseph's Wayne Hospital Foundation, Inc. adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of 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 Hospital and Medical Center 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 16-19 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.

A handwritten signature in blue ink that reads 'Withum Smith + Brown, PC'.

May 1, 2019

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

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 689,179	\$ 1,771,450
Investments	2,991,762	2,043,111
Unconditional promises to give, net	43,775	122,062
Due from affiliates	135,097	75,653
Prepaid expenses and other current assets	<u>7,175</u>	<u>-</u>
Total current assets	3,866,988	4,012,276
Assets whose use is limited		
Unconditional promises to give, net	908,432	1,002,945
Beneficial interests in trusts	<u>87,216</u>	<u>31,337</u>
	762,952	845,610
Total assets	<u>\$ 5,625,588</u>	<u>\$ 5,892,168</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 25,967	\$ 19,797
Due to St. Joseph's Wayne Hospital	<u>58,702</u>	<u>37,946</u>
Total liabilities	<u>84,669</u>	<u>57,743</u>
Commitments and contingencies		
Net assets		
Without donor restrictions	3,746,392	4,012,156
With donor restrictions	<u>1,794,527</u>	<u>1,822,269</u>
Total net assets	<u>5,540,919</u>	<u>5,834,425</u>
Total liabilities and net assets	<u>\$ 5,625,588</u>	<u>\$ 5,892,168</u>

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

St. Joseph's Wayne Hospital 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	\$ 145,045	\$ 81,751	\$ 226,796	\$ 603,618	\$ 157,927	\$ 761,545
Contributed service revenue	11,425	-	11,425	11,082	-	11,082
Special events	521,899	-	521,899	915,065	-	915,065
Net investment (losses) gains	(36,426)	2,397	(34,029)	255,195	637	255,832
Net assets released from restriction	29,232	(29,232)	-	196,810	(196,810)	-
Total support and revenue	671,175	54,916	726,091	1,981,770	(38,246)	1,943,524
Program Expenses						
Contributions to St. Joseph's Wayne Hospital, Inc.	29,182	-	29,182	190,500	-	190,500
Contributions, other	7,340	-	7,340	13,260	-	13,260
Total program expenses	36,522	-	36,522	203,760	-	203,760
Fundraising Expenses and Supporting Services						
Salaries and employee benefits	473,530	-	473,530	454,259	-	454,259
Other expenses and fundraising costs	126,158	-	126,158	73,787	-	73,787
Special events	275,620	-	275,620	350,646	-	350,646
Bad debts	25,109	-	25,109	28,122	-	28,122
Total general and fundraising expenses	900,417	-	900,417	906,814	-	906,814
Non-Operating Activity						
Change in beneficial interests in trusts	-	(82,658)	(82,658)	-	50,870	50,870
Changes in Net Assets	(265,764)	(27,742)	(293,506)	871,196	12,624	883,820
Net assets, beginning of year	4,012,156	1,822,269	5,834,425	3,140,960	1,809,645	4,950,605
Net assets, end of year	\$ 3,746,392	\$ 1,794,527	\$ 5,540,919	\$ 4,012,156	\$ 1,822,269	\$ 5,834,425

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

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

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ (293,506)	\$ 883,820
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Bad debts	25,109	28,122
Discount on unconditional promises to give	6,555	5,200
Net realized and unrealized losses (gains) on investments	104,414	(231,444)
Change in beneficial interests in trusts	82,658	(50,870)
Changes in operating assets and liabilities:		
Unconditional promises to give	(9,256)	6,590
Due from affiliates	(59,444)	(65,994)
Prepaid expenses and other current assets	(7,175)	4,128
Accounts payable and accrued expenses	6,170	3,991
Due to St. Joseph's Wayne Hospital	20,756	8,656
	<u>(123,719)</u>	<u>592,199</u>
Cash flows from investing activities		
Purchase of investments and assets whose use is limited	(3,670,738)	(1,041,626)
Sale of investments and assets whose use is limited	2,712,186	868,929
	<u>(958,552)</u>	<u>(172,697)</u>
Net cash (used) provided by operating activities		
	<u>(1,082,271)</u>	419,502
Net (decrease) increase in cash and cash equivalents		
Cash and cash equivalents, at beginning of year	<u>1,771,450</u>	<u>1,351,948</u>
Cash and cash equivalents, at end of year	<u>\$ 689,179</u>	<u>\$ 1,771,450</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

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

St. Joseph's Wayne Hospital Foundation, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

1. ORGANIZATION

St. Joseph's Wayne Hospital Foundation, Inc. (the "Foundation") is a New Jersey not-for-profit organization located in Wayne, New Jersey. The Foundation's primary purpose is to raise funds to support the programs and services of St. Joseph's Wayne Hospital (the "Hospital"). The Foundation also provides support to other 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.

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. Net assets with donor restrictions also consists 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 Hospital 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 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. Net investment gain or loss includes realized and unrealized gains and losses, interest and dividends and investment fees. Realized gains and losses for all investments are determined by the average cost method.

Assets whose use is limited include certificate of deposits and certain money market funds held 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 Hospital, the Foundation is a beneficiary of two trusts established by donors. As such, the Foundation receives annual distributions which are included in contributions without 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.

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.

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 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 the 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.

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. 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.

St. Joseph's Wayne Hospital Foundation, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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 placed 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.

St. Joseph's Wayne Hospital Foundation, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total Net Assets</u>
<u>Net assets classifications</u>			
As previously presented			
Unrestricted	\$ 4,012,156	\$ -	\$ 4,012,156
Temporarily restricted	-	849,659	849,659
Permanently restricted	-	<u>972,610</u>	<u>972,610</u>
Net assets, as reclassified	<u>\$ 4,012,156</u>	<u>\$ 1,822,269</u>	<u>\$ 5,834,425</u>

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	\$ 689,179
Investments	2,991,762
Unconditional promises to give, net	43,775
Due from affiliates	<u>135,097</u>
	<u>\$ 3,859,813</u>

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, collections of unconditional promises to give and collections of balances due from affiliates.

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 Hospital 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.

St. Joseph's Wayne Hospital Foundation, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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:

<u>December 31, 2018:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity securities	\$ 2,939,345	\$ -	\$ -	\$ 2,939,345
Fixed income securities (including mutual funds)	-	52,417	-	52,417
Beneficial interests in trusts	-	-	762,952	762,952
	<u>2,939,345</u>	<u>52,417</u>	<u>762,952</u>	<u>3,754,714</u>
Assets Whose Use is Limited				
Cash and money market funds	350,022	-	-	350,022
Investments	558,410	-	-	558,410
	<u>908,432</u>	<u>-</u>	<u>-</u>	<u>908,432</u>
	<u>\$ 3,847,778</u>	<u>\$ 52,417</u>	<u>\$ 762,952</u>	<u>\$ 4,663,146</u>
<u>December 31, 2017:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity securities	\$ 1,245,682	\$ -	\$ -	\$ 1,245,682
Fixed income securities (including mutual funds)	-	797,429	-	797,429
Beneficial interests in trusts	-	-	845,610	845,610
	<u>1,245,682</u>	<u>797,429</u>	<u>845,610</u>	<u>2,888,721</u>
Assets Whose Use is Limited				
Cash, certificates of deposit and money market funds	1,002,945	-	-	1,002,945
	<u>\$ 2,248,627</u>	<u>\$ 797,429</u>	<u>\$ 845,610</u>	<u>\$ 3,891,666</u>

St. Joseph's Wayne Hospital Foundation, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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	\$ 794,740
Unrealized gains	<u>50,870</u>
At December 31, 2017	845,610
Unrealized losses	<u>(82,658)</u>
At December 31, 2018	<u>\$ 762,952</u>

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

	2018	2017
Interest and dividends	\$ 76,816	\$ 39,861
Realized gains	353,571	26,463
Unrealized (losses) gains	(457,985)	204,981
Investment fees	<u>(6,431)</u>	<u>(15,473)</u>
	<u>\$ (34,029)</u>	<u>\$ 255,832</u>

5. 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 rate 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
Amounts receivable within one year	\$ 61,736	\$ 140,329
Amounts receivable in one to five years	<u>101,010</u>	<u>38,270</u>
	162,746	178,599
Present value discount	(11,755)	(5,200)
Allowance for uncollectibles	<u>(20,000)</u>	<u>(20,000)</u>
	<u>\$ 130,991</u>	<u>\$ 153,399</u>

6. RELATED PARTY TRANSACTIONS

The Hospital pays the salaries and benefits of the Foundation's employees. The Foundation reimburses the Hospital at cost for these amounts. Total salaries and benefits paid by the Hospital, including contributed services by accounting personnel, during the years ended December 31, 2018 and 2017 were \$473,530 and \$454,259, respectively. The balance due to the Hospital was \$58,702 and \$37,946 at December 31, 2018 and 2017, respectively.

St. Joseph's Wayne Hospital Foundation, Inc.
Notes to Financial Statements
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The Foundation periodically makes contributions to the Hospital for the purchase of equipment, the funding of special programs, and for general operations. Contributions to the Hospital as reported in the accompanying Statements of Activities and Changes in Net Assets were \$29,182 and \$190,500 for the years ended December 31, 2018 and 2017, respectively.

For the years ended December 31, 2018 and 2017, contributions or pledge payments collected on the Foundation's behalf and year end pledge balances related to combined special events in the amounts of \$135,097 and \$75,653, respectively, were due from St. Joseph's Hospital and Medical Center Foundation.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 consist of the following:

	2018	2017
Subject to expenditure for specified purpose:		
St. Joseph's is the Future - capital campaign	\$ 120,296	\$ 129,005
Health care programs	712,649	645,525
Scholarship fund	<u>75,487</u>	<u>78,987</u>
	<u>908,432</u>	<u>853,517</u>
Endowment:		
Subject to spending policy and appropriation:		
General use	<u>123,142</u>	<u>123,142</u>
Not subject to spending policy and appropriation:		
Beneficial interest in perpetual trusts	<u>762,952</u>	<u>845,610</u>
	<u>\$ 1,794,527</u>	<u>\$ 1,822,269</u>

8. ENDOWMENT FUND

The Foundation maintains a donor-restricted fund whose purpose is to provide for the care and treatment of patients afflicted with cancer. In classifying such fund for financial statement purposes as either net assets with or without donor restrictions, the Board of Trustees looks to the explicit directions of the donor where applicable and the provisions of the laws of the State of New Jersey. The Board has determined that, absent donor stipulations to the contrary, the provisions of New Jersey State law do not impose either restriction on the income or capital appreciation derived from the original gift.

The following sets forth the activity in the Endowment fund:

At January 1, 2017	\$ 123,142
Net investment income	590
Transfer of earnings	<u>(590)</u>
At December 31, 2017	123,142
Net investment income	1,792
Transfer of earnings	<u>(1,792)</u>
At December 31, 2018	<u>\$ 123,142</u>

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted state law as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment and (b) the original value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by state law.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a steady stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide real growth after inflation, liquidity and adequate income to meet program needs. The assets are invested in a diversified portfolio measured against benchmark indices to achieve these objectives with a moderate level of investment risk. The Foundation expects its endowment fund, over time, to provide a reasonable rate of return.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an investment objective to provide sufficient liquidity to meet operating, distribution and spending requirements as needed. As allowed under donor-imposed restrictions, investment income earned on the endowment fund is included in the change in net assets in the accompanying Statements of Activities and Changes in Net Assets and utilized to meet the donor-imposed restrictions.

St. Joseph's Wayne Hospital Foundation, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

9. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash balances in financial institutions in excess of federally insured limits and investments, including assets whose use is limited. Exposure to credit risk is reduced by placing deposits and investments in highly regarded financial institutions. With respect to cash 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 is reduced by diversification, professional management, and limited exposure to any single investment.

10. FUNCTIONAL EXPENSES

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

	Program Services		Management, Administrative and General	Fundraising	Total Expenses
	St. Joseph's Wayne Hospital	Other Programs			
Salaries and wages	\$ -	\$ -	\$ 38,111	\$ 342,998	\$ 381,109
Employee benefits	-	-	9,242	83,179	92,421
Contributions	29,182	7,340	-	-	36,522
Special events	-	-	275,620	-	275,620
Provision for bad debts	-	-	2,511	22,598	25,109
Other expenses	-	-	12,616	113,542	126,158
Total expenses	\$ 29,182	\$ 7,340	\$ 338,100	\$ 562,317	\$ 936,939

11. 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 Wayne Hospital 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	\$ 689	\$ 1,771
Investments	2,992	2,043
Unconditional promises to give, net	44	122
Due from affiliates	135	76
Prepaid expenses and other current assets	7	-
	<hr/>	<hr/>
Total current assets	3,867	4,012
Assets whose use is limited	908	1,003
Unconditional promises to give, net	87	31
Beneficial interests in trusts	763	846
	<hr/>	<hr/>
Total assets	<u>\$ 5,625</u>	<u>\$ 5,892</u>

St. Joseph's Wayne Hospital 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		
Accounts payable and accrued expenses	\$ 26	\$ 20
Due to affiliates	59	38
	<hr/>	<hr/>
Total liabilities	85	58
	<hr/>	<hr/>
Commitments and contingencies		
Net assets		
Without donor restrictions	3,746	4,012
With donor restrictions	1,794	1,822
	<hr/>	<hr/>
Total net assets	5,540	5,834
	<hr/>	<hr/>
Total liabilities and net assets	\$ 5,625	\$ 5,892
	<hr/> <hr/>	<hr/> <hr/>

St. Joseph's Wayne Hospital 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	\$ 1,100	\$ 1,580
Net assets released from restriction	<u>29</u>	<u>197</u>
Total revenues	<u>1,129</u>	<u>1,777</u>
Expenses		
Salaries and wages	381	366
Employee benefits	92	88
Supplies and other	439	629
Provision for bad debts	<u>25</u>	<u>28</u>
Total expenses	<u>937</u>	<u>1,111</u>
Excess of revenues over expenses	192	666
Net unrealized (loss) gain on investments	<u>(458)</u>	<u>205</u>
(Decrease) increase in net assets without donor restrictions	<u>\$ (266)</u>	<u>\$ 871</u>

St. Joseph's Wayne Hospital 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	\$ 192	\$ 666
Net unrealized gain on investments	(458)	205
	<u>(266)</u>	<u>871</u>
(Decrease) increase in net assets without donor restrictions		
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	82	158
Income from investment	2	1
Net assets released from restriction for operations	(29)	(197)
Change in beneficial interests in trusts	(83)	50
	<u>(28)</u>	<u>12</u>
(Decrease) increase in net assets with donor restrictions		
(DECREASE) INCREASE IN NET ASSETS	(294)	883
NET ASSETS - BEGINNING OF YEAR	<u>5,834</u>	<u>4,951</u>
NET ASSETS - END OF YEAR	<u>\$ 5,540</u>	<u>\$ 5,834</u>