

**Foundation for Morristown
Medical Center**
Financial Statements
December 31, 2017 and 2016

Foundation for Morristown Medical Center

Index

December 31, 2017 and 2016

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Report of Independent Auditors

To the Board of Trustees of
Foundation for Morristown Medical Center

We have audited the accompanying financial statements of the Foundation for Morristown Medical Center, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and of cash flows for the years then ended.

Management's Responsibility 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; 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 the 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 audit 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 our 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, we consider internal control relevant to the Company'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 Company'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 the Foundation for Morristown Medical Center at December 31, 2017 and 2016, 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.

PriceWaterhouseCoopers LLP

Florham Park, New Jersey
April 30, 2018

Foundation for Morristown Medical Center
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Investments	\$ 65,707,152	\$ 57,835,199
Pledges receivable, net	14,337,327	7,821,356
Other assets	1,434,715	1,811,731
Beneficial interest in charitable remainder unitrust	1,843,960	1,386,021
Due from Morristown Division	<u>70,934,563</u>	<u>64,571,200</u>
Total assets	<u>\$ 154,257,717</u>	<u>\$ 133,425,507</u>
Liabilities		
Annuities payable	\$ 2,402,898	\$ 2,524,448
Accounts payable due to Morristown Division	<u>2,133,460</u>	<u>1,959,452</u>
Total liabilities	<u>4,536,358</u>	<u>4,483,900</u>
Net assets		
Unrestricted	36,772,840	30,647,337
Temporarily restricted	74,375,069	61,978,213
Permanently restricted	<u>38,573,450</u>	<u>36,316,057</u>
Total net assets	<u>149,721,359</u>	<u>128,941,607</u>
Total liabilities and net assets	<u>\$ 154,257,717</u>	<u>\$ 133,425,507</u>

The accompanying notes are an integral part of these financial statements.

Foundation for Morristown Medical Center
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2017 and 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue								
Contributions	\$ 1,295,078	\$ 21,268,616	\$ 1,799,454	\$ 24,363,148	\$ 1,479,339	\$ 11,560,720	\$ 810,459	\$ 13,850,518
Investment income	4,118,250	3,972,645	-	8,090,895	2,224,847	1,723,142	-	3,947,989
Net assets released from restriction	7,505,518	(7,505,518)	-	-	7,510,124	(7,510,124)	-	-
Total operating revenues	<u>12,918,846</u>	<u>17,735,743</u>	<u>1,799,454</u>	<u>32,454,043</u>	<u>11,214,310</u>	<u>5,773,738</u>	<u>810,459</u>	<u>17,798,507</u>
Expenses								
Program services	7,822,231	-	-	7,822,231	7,387,105	-	-	7,387,105
General and administrative	4,547,829	-	-	4,547,829	3,841,138	-	-	3,841,138
Total operating expenses	<u>12,370,060</u>	<u>-</u>	<u>-</u>	<u>12,370,060</u>	<u>11,228,243</u>	<u>-</u>	<u>-</u>	<u>11,228,243</u>
Operating income (loss)	548,786	17,735,743	1,799,454	20,083,983	(13,933)	5,773,738	810,459	6,570,264
Beneficial interest in charitable remainder unitrust	-	-	457,939	457,939	-	-	254,178	254,178
Excess (deficiency) of revenues over expenses	548,786	17,735,743	2,257,393	20,541,922	(13,933)	5,773,738	1,064,637	6,824,442
Unrealized gains on investments other than trading securities	5,576,717	3,581,657	-	9,158,374	2,680,650	2,185,818	-	4,866,468
Net assets released from restriction used for capital	8,920,544	(8,920,544)	-	-	6,883,416	(6,883,416)	-	-
Distributions to Morristown division - capital	(8,920,544)	-	-	(8,920,544)	(6,883,416)	-	-	(6,883,416)
Increase in net assets	6,125,503	12,396,856	2,257,393	20,779,752	2,666,717	1,076,140	1,064,637	4,807,494
Net assets								
Beginning of year	30,647,337	61,978,213	36,316,057	128,941,607	27,980,620	60,902,073	35,251,420	124,134,113
End of year	<u>\$ 36,772,840</u>	<u>\$ 74,375,069</u>	<u>\$ 38,573,450</u>	<u>\$ 149,721,359</u>	<u>\$ 30,647,337</u>	<u>\$ 61,978,213</u>	<u>\$ 36,316,057</u>	<u>\$ 128,941,607</u>

The accompanying notes are an integral part of these financial statements.

Foundation for Morristown Medical Center
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 20,779,752	\$ 4,807,494
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gains on investments	(6,369,976)	(2,524,566)
Realized and unrealized gains losses on investments on assets held by Morristown Division	(7,138,212)	(3,051,867)
Restricted contributions for capital	(14,560,104)	(5,406,928)
Restricted contributions for permanent investments	(1,799,000)	(569,598)
Contributed securities	(1,623,545)	(74,427)
Proceeds from sales of contributed investments	1,236,974	12,825
Changes in assets and liabilities		
Decrease in pledges receivable and other assets	2,509,395	292,096
Increase in beneficial interest in charitable remainder unitrust	(457,939)	(254,178)
(Decrease) Increase in annuities payable	(121,550)	539,190
Decrease (increase) in accounts payable to the Morristown Division	174,008	(35,372)
Cash used in operating activities	<u>(7,370,197)</u>	<u>(6,265,331)</u>
Cash flows from investing activities		
Purchase of investments	(23,913,671)	(12,599,692)
Sales of investments	22,411,694	13,887,452
Net distributions from (to) Morristown Division	774,849	(1,017,211)
Cash (used in) provided by investing activities	<u>(727,128)</u>	<u>270,549</u>
Cash flows from financing activities		
Restricted contributions for capital	6,298,325	5,261,199
Restricted contributions for permanent investments	1,799,000	733,583
Cash provided by financing activities	<u>8,097,325</u>	<u>5,994,782</u>
Change in cash and cash equivalents	-	-
Cash and cash equivalents		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information		
Contributed securities	\$ 1,623,545	\$ 74,427

The accompanying notes are an integral part of these financial statements.

Foundation for Morristown Medical Center

Notes to Financial Statements

December 31, 2017 and 2016

1. Organization

The Foundation for Morristown Medical Center (the "Foundation") is a not-for-profit fundraising organization which solicits funds in its general appeal to support both the Morristown Medical Center (the "Morristown Division"), which is a division of AHS Hospital Corp. (the "Hospital"), and the community as the Foundation's Board may deem appropriate. The by-laws of the Foundation were amended on November 19, 2015, to provide that funds received by the Foundation after the date of the amendment may be used for the benefit of Atlantic Health System, Inc. (the "Parent") and the Hospital upon approval of the Executive Committee of the Board of the Foundation. The Foundation is organized under the not-for-profit corporation law of the State of New Jersey and is exempt from the Federal income tax under Section 501 (c) 3 of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

The following is a summary of the Foundation's significant accounting policies:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity 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. Significant estimates include the reserve for uncollectible pledges and valuation of investments. Actual results could differ from those estimates.

Excess of Revenues over Expenses

The statements of activities and changes in net assets include excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses include unrealized losses on investments other than trading securities, net assets released from restrictions used for capital, and distributions to Morristown Division - capital.

The Foundation differentiates its operating activities through the use of operating income as an intermediate measure of operations. For the purposes of display, beneficial interest in charitable remainder unitrusts, which management does not consider being a component of the Foundation's operating activities, is excluded from operating income in the statements of activities and changes in net assets.

Foundation for Morristown Medical Center

Notes to Financial Statements

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Investments

Investments in marketable equity securities with readily determinable fair values and investments in debt securities are measured at fair value in the statements of financial position. Fair value is generally determined by sales prices or bid-and-asked quotations that are available on a securities exchange registered with the Securities and Exchange Commission or in the over-the-counter market. For investments in mutual funds, the fair value per share, or unit, is the value that is determined and published and the basis for current transactions. Investments in other securities which do not have readily determinable fair values are measured at the lower of cost or fair value. Investment income, including realized gains and losses on investments, other than temporarily impaired unrealized losses on investments, interest income and dividends, are included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Changes in unrealized gains / losses on investments other than trading securities are reflected as increases or decreases in unrestricted net assets and are excluded from excess of revenues over expenses, unless determined to be other than temporarily are impaired.

Pledges Receivable

Contribution receivables are recognized when an unconditional promise to give cash is received. An allowance for estimated uncollectible contribution has been recorded at the amount necessary to reduce pledges receivable to their estimated realizable value. Estimated contributions not to be collected during the next year have been discounted and are reported at the present value of future cash flows.

Beneficial Interest in Charitable Remainder Unitrust

In 2013, the Foundation became the sole beneficiary of an irrevocable charitable remainder unitrust administered by a third party. The donor has designated the remainder unitrust as a permanent endowment for the benefit of the emergency department at the Morristown Division. The charitable remainder unitrust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (over the benefactor's lifetime). Upon the termination of annuity payments to the grantor, the Foundation will receive its respective remaining share of principal and income from the trust. The Foundation's interest in the trust is shown in the statements of financial position at \$1,843,960 and \$1,386,021 as of December 31, 2017 and 2016, respectively. The remainder unitrust continues to be outstanding at December 31, 2017. On an annual basis, the Foundation revalues the remainder unitrust based on a fixed annuity payment over the estimated life of the benefactors, and accordingly, recognized \$457,939 and \$254,178 in permanently restricted beneficial interest for the periods ended December 31, 2017 and 2016, respectively.

Charitable Gift Annuities

The Foundation has entered into certain agreements with donors which consist primarily of charitable gift annuities for which the Foundation serves as trustee. Within the investment portfolio assets associated with the charitable gift annuities amounted to \$5,281,982 and \$5,019,999 at December 31, 2017 and 2016, respectively. Contributions related to these charitable gift annuities, net of related liabilities, increase temporarily restricted net assets or permanently restricted net assets. Liabilities associated with charitable gift annuities represent the present value of the expected payments to the beneficiaries based on the terms of the agreements. At December 31, 2017 and 2016, there were liabilities of \$2,402,898 and \$2,524,448, respectively, on the statements of financial position.

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Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those funds whose use by the Foundation has been limited by donors to a specific time period and/or purpose. Once the restrictions are satisfied, or have been deemed to have been satisfied, those temporarily restricted net assets are released from restrictions. Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Management of the Foundation has interpreted the State of New Jersey's enacted version of the Uniform Prudent Management of Institutional Funds Act "UPMIFA" as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). Historic dollar value is defined as the aggregate fair value in dollars of (i) an endowment fund at the time it became an endowment, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. Based on this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanently restricted net assets (b) the original value of subsequent gifts to the permanent endowment (c) the net realizable value of future payments to permanently restricted net assets in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount) and (d) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in permanently restricted net assets. The remaining portions of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 purpose of the organization 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; and
- (7) The investment policies of the Foundation.

The Foundation has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. This method also compensates for any volatile year-to-year fluctuation in investment returns.

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Management further understands that expenditures from a donor-restricted fund is limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets) is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended), to the extent that such expenditure is prudent, considering the long and short term needs of the Foundation in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments and general economic conditions. Under the policies established and approved by the Foundation's Investment Committee, donor-restricted endowment funds are invested in income-generating investment vehicles to generate appreciation and preserve capital.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

Fair Value Measurements

The accounting guidance establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

The accounting guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Foundation for financial instruments measured at fair value on a recurring basis. Alternative investments are not considered leveled investments and are treated similar to cash. The three levels of inputs are as follows:

- Level 1 Quoted market prices in active markets for identical assets or liabilities;
- Level 2 Quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and

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Level 3 Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market Approach (M) - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost Approach (C) - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income Approach (I) - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors.

The Foundation utilized the best available information in measuring fair value (Note 4).

There were no transfers between levels during the years ended December 31, 2017 and 2016.

New Authoritative Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This standard marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new guidance, the existing three categories of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted net assets into a single category called "net assets with donor restrictions" and renames unrestricted net assets as "net assets without donor restrictions." There will be new reporting requirements for expenses and additional disclosures to describe an organization's liquidity. The standard is effective for fiscal years beginning after December 15, 2017. The Foundation is currently assessing the impact this standard will have on their financial statements.

3. Related-Party Transactions

Accounts payable due to the Morristown Division arise from expenses incurred by the Foundation which are paid by the Morristown Division. The Morristown Division pays all expenses on behalf of the Foundation and is subsequently reimbursed by the Foundation. Distributions to the Morristown Division include cash transfers to be used for capital, and are treated as equity transfers on the statements of activities and changes in net assets.

At December 31, 2017 and 2016, for cash management purposes, the Foundation's cash is held at the Morristown Division and the Foundation correspondingly recognizes these amounts as due from Morristown Division in the statements of financial position.

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4. Investments

Investments at fair value at December 31, 2017 and 2016 consist of the following:

	Market		Cost	
	2017	2016	2017	2016
Long-term investment				
Money market funds	\$ 4,722,368	\$ 2,258,727	\$ 4,722,368	\$ 2,258,727
Mutual funds-equity securities	32,544,218	27,714,488	22,748,646	20,831,149
Mutual funds-debt securities	23,136,702	18,052,354	22,990,022	18,575,089
Alternative investments-equity	5,303,864	9,809,630	5,303,864	9,809,630
	<u>\$ 65,707,152</u>	<u>\$ 57,835,199</u>	<u>\$ 55,764,900</u>	<u>\$ 51,474,595</u>

Investment returns for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
Interest and dividend income	\$ 3,741,083	\$ 3,238,025
Realized gain on sale of securities	4,349,812	709,964
Total investment income	<u>\$ 8,090,895</u>	<u>\$ 3,947,989</u>
Unrealized gains on investments other than trading securities	\$ 9,158,374	\$ 4,866,468

Included in investment income and unrealized gains on investments other than trading securities is \$7,138,212 and \$3,051,867 of investment gains related to balances held by the Morristown Division and shown as due from Morristown Division for the years ended December 31, 2017 and 2016, respectively.

The fair value of the Foundation's financial assets that are measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value at December 31, 2017	Based on			Valuation Technique (1)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 4,722,368	\$ -	\$ 4,722,368	\$ -	M
Mutual funds-equity securities	32,544,218	-	32,544,218	-	M
Mutual funds-debt securities	23,136,702	-	23,136,702	-	M
	<u>\$ 60,403,288</u>	<u>\$ -</u>	<u>\$ 60,403,288</u>	<u>\$ -</u>	

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The fair value of the Foundation's financial assets that are measured on a recurring basis at December 31, 2016 are as follows:

	Fair Value at December 31, 2016	Based on			Valuation Technique (1)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Money market funds	\$ 2,258,727	\$ -	\$ 2,258,727	\$ -	M
Mutual funds-equity securities	27,714,488	-	27,714,488	-	M
Mutual funds-debt securities	18,052,354	-	18,052,354	-	M
	<u>\$ 48,025,569</u>	<u>\$ -</u>	<u>\$ 48,025,569</u>	<u>\$ -</u>	

(1) The three valuation techniques are Market Value (M), Cost Approach (C) and Income Approach (I)

5. Pledges Receivable

Pledges receivable, net consists of the following as of December 31, 2017 and 2016:

	2017	2016
Amounts expected to be collected in		
Less than one year	\$ 4,581,377	\$ 3,721,800
One to five years	10,271,174	4,357,490
More than five years	1,261,700	513,400
	<u>16,114,251</u>	<u>8,592,690</u>
Discount to present value of future cash flows (at a rate of 2.20% and 1.9% for pledges made in 2017 and 2016, respectively)	971,211	341,699
Reserve for uncollectible amounts	805,713	429,635
Total pledges receivable, net	<u>\$ 14,337,327</u>	<u>\$ 7,821,356</u>

6. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2017	2016
Research	\$ 3,334,068	\$ 3,198,221
Purchase of plant and equipment	22,642,758	19,307,546
Scholarships and education	5,628,913	5,598,836
Program services	42,769,330	33,873,610
Total temporarily restricted net assets	<u>\$ 74,375,069</u>	<u>\$ 61,978,213</u>

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Permanently restricted net assets are restricted to:

	December 31,	
	2017	2016
Donor-restricted endowment funds	\$ 38,573,450	\$ 36,316,057

Changes in endowment net assets for the fiscal year ended December 31, 2017:

	Temporarily Restricted	Permanently Restricted	Total 2017
Endowment net assets at beginning of year	\$ 9,055,982	\$ 36,316,057	\$ 45,372,039
Investment income	7,616,963	-	7,616,963
Contributions	-	1,799,454	1,799,454
Beneficial interest in charitable remainder unitrust	-	457,939	457,939
Appropriation of endowment assets for expenditure	(2,197,116)	-	(2,197,116)
Endowment net assets at end of year	\$ 14,475,829	\$ 38,573,450	\$ 53,049,279

Changes in endowment net assets for the fiscal year ended December 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total 2016
Endowment net assets at beginning of year	\$ 7,168,850	\$ 35,251,420	\$ 42,420,270
Investment income	3,908,960	-	3,908,960
Contributions	-	810,459	810,459
Beneficial interest in charitable remainder unitrust	-	254,178	254,178
Appropriation of endowment assets for expenditure	(2,021,828)	-	(2,021,828)
Endowment net assets at end of year	\$ 9,055,982	\$ 36,316,057	\$ 45,372,039

During 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of purchasing equipment in the amounts of \$8,920,544 and \$6,883,416, respectively, and other noncapital purposes in the amounts of \$7,505,518 and \$7,510,124, respectively.

7. Disclosure of Fair Value of Financial Instruments

The Foundation currently has no other financial instruments subject to fair value measurement on a recurring basis. For other assets, accounts payable due to Morristown Division and annuities payable the net carrying value of these items approximates their fair value.

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8. Subsequent Events

Subsequent events have been evaluated through April 30, 2018, which is the date the financial statements were issued. The Foundation has determined that all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles, are included in the financial statements.