

**Foundation for Morristown
Medical Center**
Financial Statements
December 31, 2021 and 2020

Foundation for Morristown Medical Center
Index
December 31, 2021 and 2020

	Page(s)
Report of Independent Auditors	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14



Report of Independent Auditors

To Board of Trustees of Foundation for Morristown Medical Center

Opinion

We have audited the accompanying financial statements of Foundation for Morristown Medical Center (the "Company"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

New York, New York
May 17, 2022

Foundation for Morristown Medical Center
Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Investments	\$ 85,260,463	\$ 77,530,109
Pledges receivable, net	12,327,151	13,454,760
Other assets	1,060,526	1,275,016
Beneficial interest in charitable remainder unitrust	1,860,839	1,644,041
Due from Morristown Division	93,525,619	78,110,616
Total assets	<u>\$ 194,034,598</u>	<u>\$ 172,014,542</u>
Liabilities		
Annuities payable	\$ 2,154,928	\$ 2,275,948
Accounts payable due to Morristown Division	2,201,934	2,299,757
Total liabilities	<u>4,356,862</u>	<u>4,575,705</u>
Net assets		
Without donor restrictions	59,394,744	50,612,631
With donor restrictions	130,282,992	116,826,206
Total net assets	<u>189,677,736</u>	<u>167,438,837</u>
Total liabilities and net assets	<u>\$ 194,034,598</u>	<u>\$ 172,014,542</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Contributions	\$ 2,015,061	\$ 22,015,204	\$ 24,030,265	\$ 2,246,406	\$ 17,076,307	\$ 19,322,713
Event fundraising	-	313,450	313,450	-	-	-
Investment income, net	6,179,685	1,127,480	7,307,165	5,487,420	1,861,148	7,348,568
Net assets released from restriction	5,688,436	(5,688,436)	-	7,495,935	(7,495,935)	-
Total operating revenues	<u>13,883,182</u>	<u>17,767,698</u>	<u>31,650,880</u>	<u>15,229,761</u>	<u>11,441,520</u>	<u>26,671,281</u>
Expenses						
Program services	7,231,002	-	7,231,002	7,814,776	-	7,814,776
General and administrative	4,500,972	-	4,500,972	4,442,099	-	4,442,099
Event expense	-	139,700	139,700	-	-	-
Total operating expenses	<u>11,731,974</u>	<u>139,700</u>	<u>11,871,674</u>	<u>12,256,875</u>	<u>-</u>	<u>12,256,875</u>
Operating income	2,151,208	17,627,998	19,779,206	2,972,886	11,441,520	14,414,406
Beneficial interest in charitable remainder unitrust	-	216,798	216,798	-	(13,820)	(13,820)
Change in net unrealized gains	6,630,905	4,591,953	11,222,858	4,634,345	2,511,082	7,145,427
Excess of revenues over expenses	8,782,113	22,436,749	31,218,862	7,607,231	13,938,782	21,546,013
Net assets released from restriction used for capital	8,979,963	(8,979,963)	-	9,737,091	(9,737,091)	-
Distributions to Morristown division - capital	(8,979,963)	-	(8,979,963)	(9,737,091)	-	(9,737,091)
Increase in net assets	8,782,113	13,456,786	22,238,899	7,607,231	4,201,691	11,808,922
Net assets						
Beginning of year	<u>50,612,631</u>	<u>116,826,206</u>	<u>167,438,837</u>	<u>43,005,400</u>	<u>112,624,515</u>	<u>155,629,915</u>
End of year	<u>\$ 59,394,744</u>	<u>\$ 130,282,992</u>	<u>\$ 189,677,736</u>	<u>\$ 50,612,631</u>	<u>\$ 116,826,206</u>	<u>\$ 167,438,837</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, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase in net assets	\$ 22,238,899	\$ 11,808,922
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gains on investments	(8,214,414)	(5,609,087)
Realized and unrealized gains on investments on assets held by Morristown Division	(3,843,786)	(4,720,535)
Restricted contributions for capital	(9,396,853)	(12,055,300)
Restricted contributions for permanent investments	(341,611)	(571,722)
Contributed securities	(3,515,880)	(560,739)
Proceeds from sales of contributed investments	2,788,449	236,958
Changes in assets and liabilities		
Decrease in pledges receivable and other assets	1,214,342	5,073,257
(Increase)/decrease in beneficial interest in charitable remainder unitrust	(216,798)	13,820
Decrease in annuities payable	(121,020)	(109,342)
(Decrease)/increase in accounts payable to the Morristown Division	(97,823)	191,759
Cash used in operating activities	<u>493,505</u>	<u>(6,302,009)</u>
Cash flows from investing activities		
Purchase of investments	(3,985,222)	(19,034,174)
Gross proceeds from sales of investments	4,469,282	19,467,364
Net distributions to Morristown Division	<u>(11,571,217)</u>	<u>(4,712,891)</u>
Cash used in investing activities	<u>(11,087,157)</u>	<u>(4,279,701)</u>
Cash flows from financing activities		
Restricted contributions for capital	10,037,551	10,162,023
Restricted contributions for permanent investments	<u>341,611</u>	<u>895,503</u>
Cash provided by financing activities	<u>10,379,162</u>	<u>11,057,526</u>
Change in cash, cash equivalents and restricted cash	(214,490)	475,816
Cash, cash equivalents and restricted cash		
Beginning of year	<u>1,275,016</u>	<u>799,200</u>
End of year	<u>\$ 1,060,526</u>	<u>\$ 1,275,016</u>
Supplemental disclosure of cash flow information		
Contributed securities	\$ 3,515,880	\$ 560,739

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

Foundation for Morristown Medical Center

Notes to Financial Statements

December 31, 2021 and 2020

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 ("GAAP").

Adopted Authoritative Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The new ASU eliminates, adds and modifies certain disclosure requirements related to fair value measurement. The Foundation adopted this ASU in 2020, and adoption of the standard did not have a material impact on its financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 net assets which are excluded from excess of revenues over expenses include 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 and change in net unrealized gains, 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.

Investments

Investments principally consist of in marketable equity securities with readily determinable fair values including money market funds which are measured at fair value in the statements of financial position. Investment income, including realized and unrealized gains and losses, interest

Foundation for Morristown Medical Center

Notes to Financial Statements

December 31, 2021 and 2020

income and dividends, and investment management fees, are included in excess of revenues over expenses.

Pledges Receivable

Contributions, including unconditional promises to give (“pledges”), are reported as revenues in the period received or pledged.

Conditional promises to give are not recognized until they become unconditional, that is, when both the barrier to entitlement and the refund of amounts paid (or a release from obligation to make future payments) have been substantially met. Conditional contributions received, where the barrier to entitlement is not yet overcome, are recorded as deferred revenue.

Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt if the Foundation received certain goods and services that meet criteria under GAAP for recognition as contributions. Contributions of property and equipment are recorded as increases in net assets without donor restrictions unless the donor places restrictions on their use. Pledges not expected to be received within one year are discounted at a risk-adjusted rate that includes a premium for credit risk, if any. In addition, provisions for uncollectible contribution receivables has been recorded at the amount necessary to reduce pledges receivable to its estimated realizable value.

Other Assets

Other assets represent restricted cash, which consists primarily of cash held on behalf of the Women’s Association of Morristown Medical Center at December 31, 2021 and 2020.

The following table provides a reconciliation of restricted cash reported within the balance sheets that total to the amounts shown in the of cash flows for each of the years:

	2021	2020
Other assets	\$ 1,060,526	\$ 1,275,016

Cash and cash equivalents include highly liquid short-term investments with original maturities of three months or less from the date of acquisition. The Foundation elected to treat highly liquid short-term investments held within its investments financial statement line item as investments, and therefore exclude them from cash, cash equivalents and restricted cash in the statements of 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 \$1,860,839 and \$1,644,041 as of December 31, 2021 and 2020, respectively. The remainder unitrust continues to be outstanding at December 31, 2021. 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 \$216,798 and (\$13,820) in net assets with

Foundation for Morristown Medical Center

Notes to Financial Statements

December 31, 2021 and 2020

donor restriction beneficial interest for the periods ended December 31, 2021 and 2020, 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 \$6,012,941 and \$5,753,434 at December 31, 2021 and 2020, respectively. Contributions related to these charitable gift annuities, net of related liabilities, increase net assets with donor restriction. 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, 2021 and 2020, there were liabilities of \$2,154,928 and \$2,275,948, respectively, on the statements of financial position.

Net Assets with Donor Restrictions

Net assets with donor restrictions 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 assets with donor restrictions are released from restrictions. Net assets that have been restricted by donors to be maintained by the Foundation in perpetuity will remain classified as net assets with donor restrictions.

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 net assets with donor restrictions: (a) the original value of gifts donated to the restricted net assets, (b) the original value of subsequent gifts to the permanent endowment, (c) the net realizable value of future payments to 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 net assets with donor restriction. The remaining portions of the donor-restricted endowment fund that is not classified in net assets with donor restriction in perpetuity is classified as net assets with donor restriction 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

Foundation for Morristown Medical Center

Notes to Financial Statements

December 31, 2021 and 2020

(7) The investment policies of the Foundation.

The Foundation has an endowment spending policy that governs distributions each year 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. The effective distribution rate under the endowment spending policy was equal to 4.0% for each of the years ended December 31, 2021 and 2020.

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 Subcommittee, 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 net assets with donor restrictions 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, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, establishes a framework for measuring fair value under GAAP 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

Foundation for Morristown Medical Center

Notes to Financial Statements

December 31, 2021 and 2020

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 1 assets consist of common stock as they are traded in an active market with sufficient volume and frequency of transactions.
- 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. Level 2 assets consist of money market funds and mutual funds that are nonexchange trade and valued based on net asset values (NAVs) calculated by the funds' independent administrators which are calculated at least daily. These valuations are readily observable in the market place or are supported by observable levels at which transactions are executed in the marketplace. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and / or nontransferability, which are generally based on available market information. Redemptions from each of the funds can be made at least daily on the latest reported NAV.
- 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. Level 3 assets consist of beneficial interests in perpetual trusts held by third parties, primarily invested in equities and fixed income securities.

For investments in alternative investments, fair value is measured based on unobservable inputs that cannot be corroborated by observable market data where the Foundation does not exert significant influence to cover the waterfall concern. The Foundation accounts for these investments within its long-term investment portfolio using the NAV as a practical expedient, and as such these investments are excluded from the fair value hierarchy.

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 5).

Foundation for Morristown Medical Center
Notes to Financial Statements
December 31, 2021 and 2020

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of December 31, 2021 and 2020 for general expenditures are as follows:

	2021	2020
Investments	\$ 25,121,414	\$ 21,482,346
Pledges receivable, net	5,119,780	5,913,468
Other assets	382,834	759,599
	<u>\$ 30,624,028</u>	<u>\$ 28,155,413</u>

Management monitors the Foundation's cash flow on a regular basis. If needed, short-term investments are available and can be liquidated in order to meet financial needs. Also, the Foundation shares an operating bank account as well as an investment pool with the Morristown Division, which is reflected on the statement of financial position as of December 31, 2021 and 2020 as due from Morristown Division, in the amount of \$93,525,619 and \$78,110,616, respectively. The aforementioned assets are available upon request by the Foundation but are held by the Morristown Division for administrative purposes and to optimize investment performance. Such requests to transfer assets from the Morristown Division to the Foundation are subject to the approval by the Board of Trustees of the Morristown Division.

4. 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, 2021 and 2020, for cash management purposes, the Foundation's cash is held at the Morristown Division and the Foundation correspondingly recognizes these amounts as part of due from Morristown Division in the statements of financial position, as is noted in Note 3 above.

5. Investments

Investments at fair value at December 31, 2021 and 2020 consist of the following:

	Market	
	2021	2020
Long-term investment		
Money market funds	\$ 2,634,897	\$ 3,364,998
Mutual funds	79,117,858	70,955,506
Alternative investments-equity	3,507,708	3,209,605
	<u>\$ 85,260,463</u>	<u>\$ 77,530,109</u>

Foundation for Morristown Medical Center
Notes to Financial Statements
December 31, 2021 and 2020

The fair value of the Foundation's financial assets that are measured on a recurring basis at December 31, 2021 and 2020 are as follows:

	Fair Value at December 31, 2021	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	\$ 2,634,897	\$ -	\$ 2,634,897	\$ -	M
Mutual funds	79,117,858	-	79,117,858	-	M
	<u>\$ 81,752,755</u>	<u>\$ -</u>	<u>\$ 81,752,755</u>	<u>\$ -</u>	
Investments measured at NAV as practical expedient	<u>\$ 3,507,708</u>				

	Fair Value at December 31, 2020	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	\$ 3,364,998	\$ -	\$ 3,364,998	\$ -	M
Mutual funds	70,955,506	-	70,955,506	-	M
	<u>\$ 74,320,504</u>	<u>\$ -</u>	<u>\$ 74,320,504</u>	<u>\$ -</u>	
Investments measured at NAV as practical expedient	<u>\$ 3,209,605</u>				

There were no transfers between levels during the years ended December 31, 2021 and 2020.

6. Pledges Receivable

Pledges receivable, net consists of the following as of December 31, 2021 and 2020:

	2021	2020
Amounts expected to be collected in		
Less than one year	\$ 5,460,766	\$ 6,310,957
One to five years	7,520,848	7,592,350
More than five years	375,000	500,000
	<u>13,356,614</u>	<u>14,403,307</u>
Discount to present value of future cash flows (at a rate of 1.26% and 0.36% for pledges made in 2021 and 2020, respectively)	361,632	216,628
Reserve for uncollectible amounts	667,831	731,919
Total pledges receivable, net	<u>\$ 12,327,151</u>	<u>\$ 13,454,760</u>

Foundation for Morristown Medical Center
Notes to Financial Statements
December 31, 2021 and 2020

7. Net Assets with Donor Restrictions

Net assets with donor restrictions, subject to restriction for a specified purpose are as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Research	\$ 5,752,201	\$ 3,325,338
Purchase of plant and equipment	18,116,749	18,490,223
Scholarships and education	6,043,389	5,452,662
Program services	<u>60,136,240</u>	<u>50,126,519</u>
	<u>\$ 90,048,579</u>	<u>\$ 77,394,742</u>

Net assets with donor restrictions, subject to the Foundation's spending policy and appropriation are listed in the table below:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Donor-restricted endowment funds	\$ 40,234,413	\$ 39,431,464

Changes in endowment net assets for the fiscal years ended December 31, 2021 and 2020 were as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Endowment net assets with donor restriction at beginning of year	\$ 55,843,977	\$ 53,562,104
Investment income	5,719,433	3,560,401
Contributions	341,611	571,722
Beneficial interest in charitable remainder unitrust	216,798	(13,820)
Appropriation of endowment assets for expenditure	<u>(2,151,260)</u>	<u>(1,836,430)</u>
Endowment net assets with donor restriction at end of year	<u>\$ 59,970,559</u>	<u>\$ 55,843,977</u>

During 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of purchasing equipment in the amounts of \$8,979,963 and \$9,737,091, respectively, and other noncapital purposes in the amounts of \$5,688,436 and \$7,495,935, respectively.

8. Commitments and Contingencies

The Foundation, from time to time, may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the financial position of the Foundation.

9. Functional Expenses

The financial statements report certain expense categories that are attributable to both program services and management and general functions. Therefore, the natural expenses require allocation on a reasonable basis that is consistently applied, across functional expense category. Salaries are allocated based on a percent-to-total of program salaries and management and general salaries to the applicable total expense categories. Costs not directly attributable to a

Foundation for Morristown Medical Center
Notes to Financial Statements
December 31, 2021 and 2020

function, including program services expenses spent in line with donor restrictions, are allocated to a function based on the same allocation rates as salaries.

Total expenses related to providing both program services and general and administrative functions at December 31, 2021 and 2020 are as follows:

Natural Expense Categories	2021		
	Program Services	General and Administrative	Total
Salaries	\$ 5,316,239	\$ 2,469,364	\$ 7,785,603
Supplies and other expenses	1,914,763	1,404,691	3,319,454
Employee benefits	-	592,647	592,647
Interest	-	34,271	34,271
	<u>\$ 7,231,002</u>	<u>\$ 4,500,972</u>	<u>\$ 11,731,974</u>

Natural Expense Categories	2020		
	Program Services	General and Administrative	Total
Salaries	\$ 5,102,936	\$ 2,667,297	\$ 7,770,233
Supplies and other expenses	2,711,840	1,087,066	3,798,906
Employee benefits	-	639,800	639,800
Interest	-	47,936	47,936
	<u>\$ 7,814,776</u>	<u>\$ 4,442,099</u>	<u>\$ 12,256,875</u>

10. 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.

11. Subsequent Events

Subsequent events have been evaluated through May 17, 2022, which is the date the financial statements were available to be issued.