

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITON	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Johnston Memorial Hospital Foundation
Smithfield, North Carolina

We have audited the accompanying financial statements of Johnston Memorial Hospital Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 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 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.

Board of Directors
Johnston Memorial Hospital Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Raleigh, North Carolina
October 15, 2019

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 600,608	\$ 431,725
Promises to Give	61,830	87,423
Other Assets	2,995	2,995
Total Current Assets	665,433	522,143
OTHER ASSETS		
Promises to Give, Net	50,118	81,510
Investments	896,033	809,488
Board-Designated Endowment	17,491	137,809
Beneficial Interests in Assets Held by Community Foundation	216,700	219,770
Total Other Assets	1,180,342	1,248,577
Total Assets	\$ 1,845,775	\$ 1,770,720
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 3,718	\$ 7,126
NET ASSETS		
Without Donor Restrictions	364,269	270,937
With Donor Restrictions	1,477,788	1,492,657
Total Net Assets	1,842,057	1,763,594
Total Liabilities and Net Assets	\$ 1,845,775	\$ 1,770,720

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 11,568	\$ 227,037	\$ 238,605
Gifts in Kind	260,301	3,950	264,251
Investment Income	1,982	12,576	14,558
Realized Gain (Loss) on Sale of Investments	(114)	739	625
Unrealized Gain on Investments	3,222	28,520	31,742
Special Events (Including In-Kind Amounts of \$99,136)	71,963	321,540	393,503
Other Income	-	5,512	5,512
Net Assets Released from Restrictions	614,743	(614,743)	-
Total Revenue, Support, and Gains	963,665	(14,869)	948,796
EXPENSES AND LOSSES			
Program Services	552,384	-	552,384
Management and General	58,177	-	58,177
Fundraising	259,772	-	259,772
Total Expenses and Losses	870,333	-	870,333
CHANGE IN NET ASSETS	93,332	(14,869)	78,463
Net Assets - Beginning of Year	270,937	1,492,657	1,763,594
NET ASSETS - END OF YEAR	\$ 364,269	\$ 1,477,788	\$ 1,842,057

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 6,241	\$ 305,918	\$ 312,159
Grant Income	350	11,100	11,450
Gifts in Kind	217,809	3,780	221,589
Investment Income	1,194	9,531	10,725
Realized Gain (Loss) on Sale of Investments	(97)	1,828	1,731
Unrealized Gain (Loss) on Investments	(1,225)	6,168	4,943
Special Events (Including In-Kind Amounts of \$96,451)	89,537	295,579	385,116
Other Income	6,440	35	6,475
Net Assets Released from Restrictions	348,776	(348,776)	-
Total Revenue, Support, and Gains	<u>669,025</u>	<u>285,163</u>	<u>954,188</u>
EXPENSES AND LOSSES			
Program Services	392,230	-	392,230
Management and General	53,095	-	53,095
Fundraising	248,551	-	248,551
Total Expenses and Losses	<u>693,876</u>	<u>-</u>	<u>693,876</u>
CHANGE IN NET ASSETS	(24,851)	285,163	260,312
Net Assets - Beginning of Year	<u>295,788</u>	<u>1,207,494</u>	<u>1,503,282</u>
NET ASSETS - END OF YEAR	<u>\$ 270,937</u>	<u>\$ 1,492,657</u>	<u>\$ 1,763,594</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Golf Tournament (Incl. \$3,080 In-Kind)	\$ -	\$ -	\$ 10,810	\$ 10,810
Social Event (Incl. \$850 In-Kind)	-	-	7,190	7,190
Champions Race (Incl. \$3,678 In-Kind)	-	-	14,691	14,691
Tree of Light (Incl. \$570 In-Kind)	-	-	1,591	1,591
Buy a Brick Campaign	-	-	579	579
Portofino Derby (Incl. \$89,858 In-Kind)	-	-	135,870	135,870
Gobble Waddle Event (Incl. \$1,100 In-Kind)	-	-	6,135	6,135
We Care We Share (Incl. \$2,967 In-Kind)	-	-	2,967	2,967
HK Sessions and Miscellaneous	12,548	-	-	12,548
Hospice House 30% Charity Care	94,681	-	-	94,681
Funds Released-JH (Incl. \$21,109 In-Kind)	215,225	-	-	215,225
Gas Cards	7,760	-	-	7,760
Medical	85,063	-	-	85,063
Transportation	4,842	-	-	4,842
Other	13,057	-	-	13,057
Accounting Fees	-	17,150	-	17,150
In-Kind Salaries and Benefits	119,208	41,027	79,939	240,174
	<u>119,208</u>	<u>41,027</u>	<u>79,939</u>	<u>240,174</u>
Total Expenses by Function	<u>\$ 552,384</u>	<u>\$ 58,177</u>	<u>\$ 259,772</u>	<u>\$ 870,333</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Golf Tournament (Incl. \$1,930 In-Kind)	\$ -	\$ -	\$ 10,568	\$ 10,568
Social Event (Incl. \$1,250 In-Kind)	-	-	11,871	11,871
Champions Race (Incl. \$20,904 In-Kind)	-	-	32,346	32,346
Tree of Light (Incl. \$310 In-Kind)	-	-	1,135	1,135
Buy a Brick Campaign	-	-	878	878
Portofino Derby (Incl. \$76,064 In-Kind)	-	-	105,670	105,670
Bluegrass Jam (Incl. \$1,675 In-Kind)	-	-	7,601	7,601
Gobble Waddle Event	-	-	4,819	4,819
HK Sessions and Miscellaneous	12,952	-	-	12,952
Hospice House 30% Charity Care	77,555	-	-	77,555
Funds Released-JH	141,119	-	-	141,119
Gas Cards (Incl. \$1,070 In-Kind)	9,070	-	-	9,070
Medical	37,152	-	-	37,152
Transportation	987	-	-	987
Other (Incl. \$4,259 In-Kind)	12,580	-	-	12,580
Accounting Fees	-	16,995	-	16,995
In-Kind Salaries and Benefits	100,815	36,100	73,663	210,578
	<u>\$ 392,230</u>	<u>\$ 53,095</u>	<u>\$ 248,551</u>	<u>\$ 693,876</u>
Total Expenses by Function	<u>\$ 392,230</u>	<u>\$ 53,095</u>	<u>\$ 248,551</u>	<u>\$ 693,876</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 78,463	\$ 260,312
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gains on Investments, Net	(31,742)	(1,731)
Realized Gain on Investments, Net	(625)	(4,943)
Interest and Dividend Income	(14,559)	(10,725)
Change in Operating Assets and Liabilities:		
Pledges Receivable, Net	56,985	64,950
Other Assets	-	(2,995)
Accounts Payable	(3,408)	6,454
Net Cash Provided by Operating Activities	85,114	311,322
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	134,619	10,470
Purchase of Investments	(50,850)	(128,130)
Net Cash Provided (Used) by Investing Activities	83,769	(117,660)
NET INCREASE IN CASH AND CASH EQUIVALENTS	168,883	193,662
Cash and Cash Equivalents - Beginning of Year	431,725	238,063
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 600,608	\$ 431,725

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Johnston Memorial Hospital Foundation (the Foundation) is a private, nonprofit organization that was incorporated in North Carolina on December 4, 1992. The Foundation was established to improve the health of the people in its community by supporting the programs and activities of Johnston Health in Johnston County, North Carolina, and surrounding areas.

The Foundation is governed by a board of directors. The board of directors of the Foundation authorizes supporting distributions to Johnston Health.

Basis of Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Management considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

As of June 30, 2019 and 2018, the Foundation had approximately \$1,400,000 and \$1,300,000, respectively, of cash and cash equivalents and investments which are restricted by third-party donors or board-designated restrictions.

Promises to Give

Promises to give are recognized when a donor makes a promise to give that is, in substance, unconditional. The Foundation records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques. In subsequent years, amortization of the discounts is included in contribution revenue in the accompanying statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gains and losses are reported in the statement of activities and consist of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Assets Held by Community Foundation

The Foundation has an endowment fund held in trust by the North Carolina Community Foundation. Income from the endowment fund is available to be distributed annually for the general operating support of the Foundation.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets without donor restrictions include net assets available for use in general operations, and include any funds designated by the board of directors for specific purposes.

With Donor Restrictions – Net assets with donor restrictions represent resources subject to donor restrictions that are either restricted in perpetuity, time restricted, or restricted for certain purposes.

Contributions

Contributions are recorded as either support without donor restrictions, or support with donor restrictions depending on the existence and/or nature of any donor imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net asset with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the fair values of the services received. Contributions were received as in-kind advertising and salaries and benefits from Johnston Health (See Note 8), and other in-kind amounts from various other donors.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These include payroll and related expenses, which are allocated based on time spent during the year as determined by management. Other costs are directly recorded based on which category the expense relates to.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uniform Prudent Management of Institutional Funds Act

During fiscal year 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of North Carolina. Under UPMIFA, all unappropriated endowment funds are considered restricted. The Foundation adopted the provisions of the financial accounting standard for endowments of nonprofit organizations (the UPMIFA Standard) with respect to the accounting for the corpus and income recognition on endowment funds.

Income Taxes

The Foundation is exempt from federal and state income taxes as a nonprofit corporation under Internal Revenue Code Section 501(c)(3), and is not a private foundation. Accordingly, the financial statements do not reflect a provision for income taxes. The Foundation is subject to a tax on income from any unrelated business.

The Foundation follows guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance has no significant impact on the Foundation's financial statements.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation, with no impact to previously reported net assets or change in net assets.

Subsequent Events

The Foundation has evaluated subsequent events through October 15, 2019, the date the financial statements were available to be issued.

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, management develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the quality, risk or liquidity profile of the asset or liability.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

ASSETS	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. Government Obligations	\$ 469,680	\$ 469,680	\$ -	\$ -
Mutual, Index, and Bond Funds	426,353	426,353	-	-
Total	<u>\$ 896,033</u>	<u>\$ 896,033</u>	<u>\$ -</u>	<u>\$ -</u>
Board-Designated Endowment:				
Mutual, Index, and Bond Funds	<u>\$ 17,491</u>	<u>\$ 17,491</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interests in				
Assets Held by North Carolina				
Community Foundation:	<u>\$ 216,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,700</u>

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table presents assets measured at fair value on a recurring basis at June 30, 2018:

ASSETS	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. Government Obligations	\$ 654,100	\$ 654,100	\$ -	\$ -
Short-Term Bond Mutual Fund	<u>155,388</u>	<u>155,388</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 809,488</u>	<u>\$ 809,488</u>	<u>\$ -</u>	<u>\$ -</u>
Board-Designated Endowment:				
Short-Term Bond Mutual Fund	<u>\$ 137,809</u>	<u>\$ 137,809</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interests in Assets Held by North Carolina Community Foundation:	<u>\$ 219,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,770</u>

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance, Beginning of the Year	\$ 219,770	\$ 215,640
Net Realized and Unrealized Gain	7,683	12,276
Purchases, Sales, Issuances and Settlements (Net)	<u>(10,753)</u>	<u>(8,146)</u>
Balance, End of the Year	<u>\$ 216,700</u>	<u>\$ 219,770</u>

The fair value of the beneficial interest in assets held by the North Carolina Community Foundation (NCCF) is based on the fair value of fund investments as reported by the NCCF. These are considered to be Level 3 measurements.

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 3 NET INVESTMENT RETURN

Net investment return consists of the following for the year ended June 30, 2019:

	Investments	Board Designated Endowment	Beneficial Interests in Assets Held by Community Foundation	Total
Interest and Dividends	\$ 15,504	\$ 2,594	\$ 2,131	\$ 20,229
Net Realized and Unrealized Gain	23,236	1,448	7,683	32,367
Less: Investment Management and Custodial Fees	(3,048)	(452)	(2,171)	(5,671)
Total Investments	<u>\$ 35,692</u>	<u>\$ 3,590</u>	<u>\$ 7,643</u>	<u>\$ 46,925</u>

Net investment return consists of the following for the year ended June 30, 2018:

	Investments	Board Designated Endowment	Beneficial Interests in Assets Held by Community Foundation	Total
Interest and Dividends	\$ 9,900	\$ 1,516	\$ 4,589	\$ 16,005
Net Realized and Unrealized Gain (Loss)	(7,954)	2,352	12,276	6,674
Less: Investment Management and Custodial Fees	(2,826)	(189)	(2,265)	(5,280)
Total Investments	<u>\$ (880)</u>	<u>\$ 3,679</u>	<u>\$ 14,600</u>	<u>\$ 17,399</u>

NOTE 4 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within One Year	\$ 61,830	\$ 87,423
In One to Five Years	56,500	85,000
Over Five Years	-	6,000
Total	<u>118,330</u>	<u>178,423</u>
Less: Discount to Present Value (2.02% to 2.86%)	(2,891)	(4,138)
Less: Allowance for Uncollectible Promises to Give	(3,491)	(5,352)
Total	<u>\$ 111,948</u>	<u>\$ 168,933</u>

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation has an endowment fund held in trust by the NCCF. Income from the endowment fund is available to be distributed annually for the general operating support of the Foundation. While the stated intention of the agreement is for the principal to remain undistributed, the principal may be distributed at the Foundation's discretion. As of June 30, 2019 and 2018, this fund had a value of approximately \$217,000 and \$220,000 respectively.

NOTE 6 ENDOWMENTS

The Foundation's endowment includes funds designated by the board of directors to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of the Foundation created a quasi-endowment with a financial institution to benefit the Foundation. Income from the quasi-endowment is available to be distributed annually for general operating support of the Foundation. The principal may be distributed at the Foundation's discretion.

The Foundation is subject to UPMIFA and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the board of directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The board of directors of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the organization
- The investment policies of the Foundation

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 ENDOWMENTS (CONTINUED)

Endowment net assets composition by type of fund was as follows at June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment	<u>\$ 17,491</u>	<u>\$ -</u>	<u>\$ 17,491</u>

Endowment net assets composition by type of fund was as follows at June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment	<u>\$ 137,809</u>	<u>\$ -</u>	<u>\$ 137,809</u>

The change in endowment net assets for the year ended June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 137,809	\$ -	\$ 137,809
Investment Return:			
Investment Income, Net of Fees	2,142	-	2,142
Net Realized and Unrealized Gain	1,448	-	1,448
Contributions	-		
Appropriations	<u>(123,908)</u>	<u>-</u>	<u>(123,908)</u>
Endowment Net Assets, End of Year	<u>\$ 17,491</u>	<u>\$ -</u>	<u>\$ 17,491</u>

The change in endowment net assets for the year ended June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 6,114	\$ -	\$ 6,114
Investment Return:			
Investment Income, Net of Fees	3,244	-	3,244
Net Realized and Unrealized Gain	435	-	435
Contributions	<u>128,016</u>	<u>-</u>	<u>128,016</u>
Endowment Net Assets, End of Year	<u>\$ 137,809</u>	<u>\$ -</u>	<u>\$ 137,809</u>

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 6 ENDOWMENTS (CONTINUED)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund or perpetual donation. No deficiencies of this nature exist at June 30, 2019 or 2018.

The Foundation has a total return spending policy that allows the Foundation to receive distributions of income up to the total received, without affecting corpus. These distributions follow donor restrictions and guidelines within the Foundation's programs.

Endowment Fund Not Included in Foundation's Financial Statements

In 2003, an outside party created the Cara Lee Powell Priest Endowment Fund with the NCCF. Because the NCCF has variance power, this fund is not recorded on the Foundation's financial statements. The fund is a permanent endowment with only the net income of the fund being distributed to the Foundation for general operations. During both the years ended June 30, 2019 and 2018, the Foundation received distributions of approximately \$6,400 from this fund.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2019 and 2018 consist of the following:

Subject to expenditure for specific purpose:	2019	2018
Angel Fund	\$ 329,531	\$ 188,978
Patient Assistance Fund	23,821	26,522
Hospice House Capital Fund	555,263	554,341
Healthy Kids Fund	96,527	64,043
3D Mammography Fund	3,793	3,296
Home Care and Hospice Fund	238,232	235,334
Heart Fund	33,865	17,188
Naming Fund	-	140,991
Other Funds	78,426	83,541
Total	1,359,458	1,314,234
Subject to passage of time:		
Angel Fund	3,433	11,390
Patient Assistance Fund	1,638	-
Home Care and Hospice Fund	3,068	926
Healthy Kids Fund	5,180	12,335
3D Mammography Fund	10,800	43,897
Heart Fund	7,190	-
General Fund (Other Promises to Give)	57,021	67,875
Naming Fund	30,000	42,000
Total	118,330	178,423
Total Net Assets with Donor Restrictions	\$ 1,477,788	\$ 1,492,657

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiration of Time Restrictions	\$ 24,244	\$ -
Satisfaction of Purpose Restrictions:		
Angel Fund	158,345	136,308
Patient Assistance Fund	35,239	24,275
Home Care and Hospice Fund	112,329	88,252
Healthy Kids Fund	19,803	29,014
3D Mammography Fund	32,935	40,475
Hospice House Capital Fund	26,579	1,313
Heart Fund	47,026	13,260
Clayton Chapel Naming Fund	158,243	199
Cath Lab Naming Fund	-	15,680
Total	<u>590,499</u>	<u>348,776</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 614,743</u>	<u>\$ 348,776</u>

NOTE 8 RELATED PARTIES

The Foundation received donated salaries and benefits and advertising services from Johnston Health. Donated salaries and benefits approximated \$240,000 and \$211,000 and donated advertising services approximated \$16,000 and \$62,000 for the years ended June 30, 2019 and 2018 respectively, and are included in Gifts In Kind within the statements of activities.

The Foundation paid approximately \$310,000 and \$219,000 to Johnston Health during the years ended June 30, 2019 and 2018 respectively, which are included in Program Services within the statement of activities.

At June 30, 2019 and 2018, the Foundation had amounts due to Johnston Health of approximately \$3,000 and \$7,000, which are included in Accounts Payable within the accompanying statement of financial position.

NOTE 9 CONCENTRATION OF CREDIT RISK

Financial instruments which subject the Foundation to a concentration of credit risk consist of cash and cash equivalents placed with financial institutions. At times during the year, the Foundation has funds invested with financial institutions in excess of the Federal Deposit Insurance Corporation Limits.

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10 LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in an investment account with a financial institution. Additionally, the Foundation has an endowment established by the board of \$17,000. Although the Foundation does not intend to spend from its investments and endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, these amounts could be made available if necessary.

The Foundation's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and Cash Equivalents	\$ 600,608
Pledges Receivable, Net - Current	61,830
Board-Designated Endowment	17,491
Other Investments Appropriated for Use	<u>896,033</u>
Sub-Total	1,575,962
Less: Net Assets With Donor Restrictions	<u>(1,477,788)</u>
Total Assets Available	<u><u>\$ 98,174</u></u>

