Overlook Foundation

Financial Statements
and Independent Auditor's Report

June 30, 2016 and 2015

Overlook Foundation

Index

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Independent Auditor's Report

The Board of Trustees
Overlook Foundation

We have audited the accompanying financial statements of Overlook Foundation, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Overlook Foundation as of June 30, 2016 and 2015, 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.

CohnReznick LLP

Roseland, New Jersey
December 15, 2016

OVERLOOK FOUNDATION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,677,410	$ 6,032,580
Current portion of pledges receivable, net	1,254,640	1,055,147
Prepaid expenses and other current assets	86,402	110,331
Total current assets	7,018,452	7,198,058
Other assets:		
Gift annuity investments	2,064,193	1,996,397
Investments	68,226,993	70,363,952
Pledges receivable, less current portion, net	994,718	578,710
Due from charitable trusts	541,097	472,933
Vehicle held for future donation	114,050	141,480
Total assets	$78,959,503	$80,751,530
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 255,889	$ 153,605
Grant payable to affiliate	1,255,806	4,339,265
Grant payable to non-affiliate	50,000	50,000
Total current liabilities	1,561,695	4,542,870
Other liabilities:		
Gift annuity obligations	876,347	884,089
Due to affiliate	4,894,877	4,836,455
Grant payable to non-affiliate, less current portion, net	94,985	140,082
Total liabilities	7,427,904	10,403,496
Net assets:		
Unrestricted	7,017,306	8,564,925
Temporarily restricted	34,910,998	33,379,245
Permanently restricted	29,603,295	28,403,864
Total net assets	71,531,599	70,348,034
Total liabilities and net assets	$78,959,503	$80,751,530

See accompanying notes

OVERLOOK FOUNDATION

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Changes in unrestricted net assets:		
Public support, investment income, and gains:		
Public support	$ 1,006,355	$ 1,480,857
Interest and dividend income	584,533	510,167
Unrealized losses	(477,114)	(278,558)
Realized gains	154,403	653,701
Net assets released from restrictions	3,489,157	4,368,316
Total public support, investment income and gains	4,757,334	6,734,483
Expenses:		
Grants	3,783,505	4,166,155
Fundraising	2,043,647	2,365,084
Management and general	477,801	363,437
Total expenses	6,304,953	6,894,676
Change in unrestricted net assets	(1,547,619)	(160,193)
Changes in temporarily restricted net assets:		
Public support	4,391,155	3,703,155
Interest and dividend income	1,223,740	993,395
Unrealized losses	(984,173)	(665,985)
Realized gains	392,784	1,347,675
Present value adjustments	(2,596)	(21,239)
Net assets released from restrictions	(3,489,157)	(4,368,316)
Change in temporarily restricted net assets	1,531,753	988,685
Changes in permanently restricted net assets - public support	1,199,431	1,193,411
Change in Net Assets	1,183,565	2,021,903
Net Assets at Beginning of Year	70,348,034	68,326,131
Net Assets at End of Year	$ 71,531,599	$ 70,348,034

See accompanying notes

OVERLOOK FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating Activities:		
Change in net assets	$ 1,183,565	$ 2,021,903
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized losses on investments	1,461,287	944,543
Permanently restricted contributions	(1,199,431)	(1,193,411)
Realized gains on investments	(547,187)	(2,001,376)
Bad debt expense	90,533	10,873
Pledges receivable discount	(89,684)	(8,984)
Gift annuities discount	70,760	70,086
Charitable remainder trust discount	(68,164)	(48,847)
Impairment loss on donated vehicle	27,430	-
Changes in operating assets and liabilities:		
Pledges receivable	(616,350)	58,920
Prepaid expenses and other current assets	23,929	293,708
Accounts payable and accrued expenses	102,284	(72,090)
Grant payable to affiliate	(3,083,459)	390,453
Grant payable to non-affiliate	(45,097)	(43,571)
Net cash (used in) provided by operating activities	(2,689,584)	422,207
Investing Activities:		
Proceeds from the sale of investments	15,546,517	20,000,458
Expenditures for investments	(14,391,454)	(19,025,262)
Due to affiliate	58,422	(676,609)
Net cash provided by investing activities	1,213,485	298,587
Financing Activities:		
(Payment)/receipt of annuity obligations	(78,502)	12,757
Permanently restricted contributions	1,199,431	1,193,411
Net cash provided by financing activities	1,120,929	1,206,168
Net (Decrease)/Increase in Cash and Cash Equivalents	(355,170)	1,926,962
Cash and Cash Equivalents at Beginning of Year	6,032,580	4,105,618
Cash and Cash Equivalents at End of Year	$ 5,677,410	$ 6,032,580

See accompanying notes

1. **Organization:**

Overlook Foundation (the "Foundation") is incorporated as a non-profit organization established in 1976 to conduct fundraising activities for the benefit of the Overlook Medical Center (the "Overlook Division"), located in Summit, New Jersey, a division of AHS Hospital Corporation (the "Hospital"). The monies raised by the Foundation are used to provide direct support to the Overlook Division of the Hospital and its related community to improve the health status of the community by delivering high-quality, cost-effective health care.

2. **Summary of Significant Accounting Policies:**

(a) *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred. The Foundation classifies revenue, gains and losses into three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may, or will be, met by either actions of the Foundation, and/or, the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they must be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on the related investments for general or specific purposes.

(b) *Use of Estimates*

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

(c) *Concentrations of Credit Risk*

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, pledges receivable and investments. The Foundation maintains its cash and cash equivalents with a high-credit quality financial institution on a regular basis. At times during the years ended June 30, 2016, and 2015, the Foundation held cash in excess of Federally insured limits. The Foundation has not experienced any losses in such accounts, and it believes it is not exposed to any significant credit risk on cash and cash equivalents.

Continued

2. **Summary of Significant Accounting Policies:** (continued)

(c) *Concentrations of Credit-Risk* (continued)

The Foundation closely monitors its pledges with regard to collectability while maintaining allowances for potential losses. On a periodic basis, the Foundation evaluates its pledges receivable and establishes an allowance for doubtful accounts based on specific reviews of certain outstanding amounts and historical collection performance.

Concentrations of credit risk with respect to pledges receivable pertains to three pledges at June 30, 2016, and four pledges at June 30, 2015, that account for approximately 37% and 43%, respectively, of the pledges receivable on those dates.

Concentrations of credit risk with respect to investments pertains to three mutual fund investments, representing 36% and 38% of the total investments as of June 30, 2016, and 2015, respectively. The Foundation maintains its investments with investment advisors. The Foundation's investments, with the exception of cash, are currently held in accounts insured under the Securities Investment Protection Corporation ("SIPC").

(d) *Cash and Cash Equivalents*

Cash and cash equivalents include money market accounts and highly liquid short-term investments purchased with maturities of three months or less and are maintained primarily with banks and investment advisors.

(e) *Pledges Receivable*

Pledges receivable are primarily unsecured and are received from individuals, trusts, and businesses. Pledges receivable and their related revenue are recorded at present value on the date of the unconditional promise to pay. The discounts and allowances on those amounts are computed using assumptions made by management regarding the market and ultimate collectability of the receivables.

(f) *Investments*

Investments in mutual funds, bond funds, fixed income and alternative investments are carried at fair value. Donated securities are recorded at fair value at date of receipt. Unrealized gains are included in the accompanying statements of activities. Related custodian fees of $146,533 and $93,860 were expensed for the years ended June 30, 2016, and 2015, respectively.

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07, *Fair Value Measurements* ("ASU 2015-07"). ASU 2015-07 eliminates the disclosure requirement to categorize investments within the fair value hierarchy that are measured at fair value using net asset value as a practical expedient and requires retrospective application. The Foundation has early-adopted ASU 2015-07 for the year ended June 30, 2016, and has removed the fair value hierarchy disclosures for fair value measurements at June 30, 2015 of investments measured using net asset value as a practical expedient (see Note 6). The adoption of ASU 2015-07 had no impact on our consolidated financial statements, as the related amendments were disclosure-only in nature.

Continued

2. **Summary of Significant Accounting Policies:** (continued)

(g) *Donor Restricted Gifts*

Unconditional promises to give are reported at fair value at the day 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 to unrestricted net assets and reported in the statements of activities 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.

(h) *Trusts*

The Foundation receives income from funds held in trust by others. Income is recognized upon receipt and is recorded in temporarily restricted net assets on the statements of activities. The Foundation is not a beneficiary of the principal of the trust. The trust, which is not controlled by the Foundation, is not reflected in the statements of financial position.

(i) *Gift Annuities*

Gift annuities consist of contributions received subject to annuity contracts under which the Foundation is obligated to make agreed-upon periodic payments during the lives of the donors or designated beneficiaries of the donors.

Upon the receipt of a gift annuity, the net present value of the actuarially determined annuity payable is recognized as a liability, and the remainder received in excess of this liability is recorded as contribution revenue. The liability for future payments is decreased by payments made to donors or to the designated beneficiaries. Annual adjustments are made based upon actuarial valuations of the obligations for future annuity payments and reflected in the statements of activities. As of June 30, 2016, and 2015, the gross gift value of these annuity contracts was $1,813,343 and $1,743,343, respectively.

The Foundation has $2,064,193 and $1,996,397 in cash and mutual funds representing the accumulation of contributions received and investment income earned subject to the annuity contracts as of June 30, 2016, and 2015, respectively. Included in these amounts for June 30, 2016, and 2015, are $317 and $214, respectively, in cash.

(j) *Grants*

Grants are recorded as an expense and accrued as a liability when approved by the Board of Trustees.

(k) *Donated Services*

The Foundation received donated facilities and services from the Hospital that are immaterial to the financial statements for the years ended June 30, 2016, and 2015.

Continued

2. **Summary of Significant Accounting Policies:** (continued)

(l) *Income Taxes*

The Foundation qualifies as a tax-exempt organization as defined under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or state income taxes has been recorded.

The Foundation has no unrecognized tax benefits at June 30, 2016, and 2015. The Foundation's Federal and state income tax returns prior to fiscal years 2013 and 2012, respectively, are closed and management continually evaluates changes in tax law and new authoritative rulings.

If applicable, the Foundation will recognize interest and penalties associated with tax matters as management and general charges and include accrued interest and penalties with accounts payable and accrued expenses in the statements of financial position. There were no interest or penalties paid for the years ended June 30, 2016, and 2015.

(m) *Functional Allocation of Expenses*

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities, which includes all expenses incurred for the year. Accordingly, certain costs have been allocated among the program and supporting services benefited, based on usage or other equitable bases established by management.

(n) *Reclassifications*

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

The purpose of the reclassification of the amount previously reported as the current portion of due to affiliate is to reflect the balance more accurately as part of the current portion of grants payable to affiliate. The amount reclassified in the prior year reduced the current portion of due to affiliate by $3,476,865 and increased the balance of grant payable to affiliate by $3,476,865. The balance of the current portion of due to affiliate in the prior year after this reclassification is zero and the balance of grant payable to affiliate after the reclassification is $4,339,265.

(o) *Subsequent Events*

Subsequent events have been evaluated through December 15, 2016, which is the date the financial statements were available to be issued.

3. **Due from Charitable Trust:**

In 2005, the Foundation received a retained life estate. The fair value of this life estate is $541,097 and $472,933 as of June 30, 2016, and 2015, respectively. During 2016 and 2015, the Foundation recorded income of $68,164 and $48,847, respectively, in the statements of activities as present value adjustments relating to the retained life estate.

Continued

4. **Pledges Receivable:**

Pledges receivable, less an appropriate allowance for uncollectable items, are recorded at their estimated fair value with amounts due later than one year at the present value of estimated future cash flows using fair value interest rates ranging from 2% to 5% and are as follows:

	2016	2015
Pledges receivable in:		
Less than one year	$ 1,334,640	$ 1,135,146
One to five years	914,176	598,485
After five years	1,710,000	1,520,000
	3,958,816	3,253,631
Less:		
Unamortized discount value ranging from 2% to 5%	(129,458)	(39,774)
Allowance for doubtful pledges	(1,580,000)	(1,580,000)
Present value of pledges receivable	2,249,358	1,633,857
Less current portion	(1,254,640)	(1,055,147)
Long-term portion	$ 994,718	$ 578,710

5. **Investments:**

Investments at fair value consist of the following at June 30, 2016, and 2015:

	2016	2015
U.S. Treasury notes	$ 155,392	$ 155,976
Mutual funds	38,409,840	41,487,055
Bond funds	15,965,063	16,621,937
Preferred stock fund	1,328,935	1,103,536
Alternative investments	14,431,639	12,991,631
Totals	$ 70,290,869	$ 72,360,135

The Foundation received contributions for which the Overlook Division of the Hospital is the designated beneficiary. The Foundation has recorded these items as due to affiliate, and the assets received are included in the Foundation's investment portfolio. Interest and dividend income, realized and unrealized gains, and brokerage fees are allocated to the Overlook Division liability based on the ratio of the amounts due to affiliate to the total investments held.

Continued

5. **Investments:** (continued)

Investment income (loss) for the years ended June 30, 2016, and 2015, are as follows:

	2016	2015
Interest and dividend income	$ 1,808,273	$ 1,503,562
Realized gains, net	547,187	2,001,376
Unrealized gains (losses)	(1,461,287)	(944,543)
Investment income (loss)	$ 894,173	$ 2,560,395

6. **Fair Value Measurements:**

The Foundation values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy is established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. The levels are described as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data are available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation techniques that 1) maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and 2) consider counterparty credit risk in its assessment of fair value.

Continued

6. **Fair Value Measurements:** (continued)

Financial assets carried at fair value at June 30, 2016, and 2015, are classified in the tables below in one of the three categories described above.

	2016		
	Level 1	Level 2	Total
Investments:			
Mutual funds:			
Large cap - U.S.	$ 10,099,294		$ 10,099,294
Mid cap - U.S.	8,728,463		8,728,463
Small cap - U.S.	5,562,774		5,562,774
Large cap - International	11,955,432		11,955,432
Emerging market			-
Bond funds:			
Investment grade taxable	12,133,604		12,133,604
Investment grade tax exempt	2,190,962		2,190,962
Global high yield taxable	1,640,497		1,640,497
Preferred stock fund	1,328,935		1,328,935
U.S. Treasury notes		$ 155,392	155,392
Subtotal	53,639,961	155,392	53,795,353
Investments - gift annuities:			
Mutual funds:			
Large cap - U.S.	2,063,876		2,063,876
Subtotal	2,063,876	-	2,063,876
Retained life estate		541,097	541,097
Alternative investments			14,431,639
Total assets, at fair value	$ 55,703,837	$ 696,489	$ 70,831,965

Continued

6. **Fair Value Measurements:** (continued)

	2015		
	Level 1	Level 2	Total
Investments:			
Mutual funds:			
Large cap - U.S.	$ 12,899,588		$ 12,899,588
Mid cap - U.S.	7,411,480		7,411,480
Small cap - U.S.	3,314,710		3,314,710
Large cap - International	12,955,211		12,955,211
Emerging market	2,909,883		2,909,883
Bond funds:			-
Investment grade taxable	11,639,308		11,639,308
Investment grade tax exempt	2,013,694		2,013,694
Global high yield taxable	2,968,935		2,968,935
Preferred stock fund	1,103,536		1,103,536
U.S. Treasury notes		$ 155,976	155,976
Subtotal	57,216,345	155,976	57,372,321
Investments - gift annuities:			
Mutual funds:			
Large cap - U.S.	1,996,183		1,996,183
Subtotal	1,996,183	-	1,996,183
Retained life estate		472,933	472,933
Alternative investments			12,991,631
Total assets, at fair value	59,212,528	628,909	72,833,068

The amount of total gains and losses for the years ended June 30, 2016, and 2015, included in unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date amounted to $399,215 and $328,707, respectively.

Continued

6. **Fair Value Measurements:** (continued)

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds, bond funds, and preferred stock funds: Valuations of mutual funds, bond funds and preferred stock funds are obtained from real-time quotes for transactions in active exchange markets involving identical assets (Level 1).

U.S. Treasury notes: Value based on a modeled bid evaluation pricing estimate for comparable instruments (Level 2).

Retained life estate: Investment is valued based upon current market values for similar assets discounted by applicable rates.

Alternative investments: Such investments are valued utilizing the net asset value ("NAV") provided by the underlying private investment companies and/or their administrators.

The Foundation uses the NAV to determine the fair value of all the underlying investments which (a) do not have readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies (in partnership format) by major category. There have been no changes in the methodologies used at June 30, 2016, and 2015.

Continued

Alternative Investments/Dates	Strategy	Fair Value 6/30/2016	Fair Value 6/30/2015	Unfunded Commitment 6/30/2016	Redemption Terms	Redemption Restrictions
Angelo Gordon Growth Capital Partners (formerly known as Angelo Gordon Private Equity Partners IV and AIV) (12/2007)-private equity	Investment in distressed middle-market companies and out-of-mainstream deep-value opportunities.	$ 765,865	$ 854,621	$ 125,000	Investment term of 7 to 10 years from December 2008.	Payout after the closure of the fund. Payments may start in 2014 or sooner, according to the fund. In Fiscal 2014 the partnership asked for and was granted an extension of one year with a second-year option.
Angelo Gordon Net Lease Realty Fund III (4/2014) - private equity	Investment in single-tenant, commercial real estate, generally with less-than-investment grade tenants, either existing properties or build-to-suit. Purchase and lease-back situations with net leases of 15 years or more.	$ 359,006	$ 293,103	$ 640,000	No redemption of partnership interests until after the anticipated 11-year term of the partnership.	During four-year commitment period no distributions unless, at the discretion of the general partner, there is distribution of rental or investment income. After the commitment period, quarterly distributions of net cash flow from property and interim investments.
Angelo Gordon Europe Realty Fund III (4/2015) - private equity	The purchase of a range of sub-performing and distressed real estate and debt that fall along the value-add spectrum for the requisite business plan for each asset, with the focus on the U.K., France, Germany, and the Benelux countries. Purchase from owners who lack capital, patience, or expertise to manage cash flow.	$ 754,675	$ 270,000	$ 785,700	Distributions during the commitment period only at the discretion of the general partner. Thereafter, net cash flow from investments and sales may be distributed if not needed for fees or investments.	Any distributions during the commitment period and any from cash flow thereafter may be recalled.

Continued

Alternative Investments/Dates	Strategy	Fair Value 6/30/2016	Fair Value 6/30/2015	Unfunded Commitment 6/30/2016	Redemption Terms	Redemption Restrictions
Pine Grove Offshore Fund (12/2010 and 10/2011) - liquid hedge fund	A combination of hedged credit, long-short equity, distressed equity, convertible arbitrage, event-driven investment, and multi-strategy investment.	$ 2,898,014	$ 3,057,521	N/A	N/A	In March 2016 Overlook Foundation served notice to liquidate this position. It received the proceeds in July 2016.
GS Anchorage Illiquid Opportunities Access Fund (1/2010) - private equity	Investment in illiquid credit, distressed debt and asset markets of Europe and North America, including use of leverage.	$ 32,686	$ 227,362	$ 88,823	Payments upon dissolution of the fund or one year after the liquidation of all assets, at the general partner's discretion. .	Fund terminates at the discretion of the general partner, but the partnership will dissolve on December, 2013, except that the term may be extended by the general partner at its discretion for up to two additional 12-monthperiods.
GS Anchorage Illiquid Opportunities IV Access Fund (1/2015) - private equity	Long-term investment exploiting dislocations in credit and asset markets of Europe, North America, Australia, and New Zealand, especially in small to medium-sized opportunities. Also in cash and derivative instruments that are structured products linked to corporate and asset-backed credit risk.	$ 1,752,255	$ 1,469,641	$ 421,654	Payments upon dissolution of the fund or before then at the general partner's discretion, typically at the end of a quarter after receiving distributions from the master fund in which it has invested.	Fund terminates five years after the end of the investment period, with two additional, 12-month options possible.

Continued

Alternative Investments/Dates	Strategy	Fair Value 6/30/2016	Fair Value 6/30/2015	Unfunded Commitment 6/30/2016	Redemption Terms	Redemption Restrictions
GS Mt. Kellett Capital Partners Offshore (8/2008) - private equity	Investment in debt and equity of public and private firms with tangible assets; bank loans and bonds; distressed investments, activist control positions in firms; stressed portfolios in North America, Europe, and Asia.	$ 293,884	$ 458,488	$ 49,282	Term of the fund at the discretion of the general partner. Target is seven years.	Distribution within one year after the liquidation of all assets at the discretion of the general partner.
GS Private Equity Co - Investment Partners Offshore (12/2014) - private equity	Long-term compounded returns through 20 to 30 investments in companies, alongside other managers, primarily in middle-market buyout transactions but also possible in distressed and growth companies in North America and Western Europe.	$ 251,507	$ 78,764	$ 1,116,441	Term of the fund at the discretion of the general partner. After return of principal limited partners will receive preferred return of 8% per year, compounded annually.	Final redemption upon closure of the fund.
GS Private Equity Partners IX Offshore (9/2011 secondary purchase of position) - private equity	Multi-strategy (turn-around, venture capital, large and middle-market buyouts and industry-focused), direct and indirect equity investments in North America and Europe.	$ 476,139	$ 666,095	$ 118,204	Through the later of December 16, 2016, or one year after the liquidation of the fund holdings.	Redemption upon fund closure.

Continued

Alternative Investments/Dates	Strategy	Fair Value 6/30/2016	Fair Value 6/30/2015	Unfunded Commitment 6/30/2016	Redemption Terms	Redemption Restrictions
GS Perry Private Opportunities Fund (4/2012 secondary purchase of position) - private equity	Less liquid opportunities within special situations (growth financing, restructuring), including portions of opportunities that their related hedge fund cannot own, joint government ventures, energy.	$ 186,414	$ 281,260	$ 401,517	Distribution within one year after the liquidation of all assets at the discretion of the general partner.	Redemption upon fund closure.
GS Energy Private Equity Managers Energy (Concentrated) Fund (7/2012 secondary purchase of position) - private equity	Pooled or direct investments in oil, gas, and coal exploration; pipelines, refining facilities; and energy/power distribution and transmission.	$ 199,257	$ 329,509	$ 25,573	Fund to close later of December 16, 2016, or one year after the liquidation of the fund's investments.	Distribution within one year of the close of the fund or at the partner's discretion.
GS Mezzanine Partners 2006 Offshore (7/2013 secondary purchase of position) - private equity	Current returns and long-term capital appreciation through investment in mezzanine securities, principally fixed income securities such as debt and preferred stock, that may also include an equity component such as warrants, options, common stock or a convertible feature.	$ 224,599	$ 310,805	$ 100,002	Term of the fund is 10 years after the commitment period with a possible one-year extension at the general partner's discretion or closure on the 15th anniversary of the fund.	Amount and timing of distributions are at the sole discretion of the general partner, except that net proceeds from investment dispositions will be distributed as soon as is practical after receipt by the partnership.

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OVERLOOK FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Alternative Investments/Dates	Strategy	Fair Value 6/30/2016	Fair Value 6/30/2015	Unfunded Commitment 6/30/2016	Redemption Terms	Redemption Restrictions
GS Thomas H. Lee Equity VI Access Offshore LP (4/2016 secondary purchase of position) - private equity	Create substantial capital gains by a value-added approach to creating, lending, and managing the acquisition of large, growth-oriented companies, including helping companies develop sound, efficient operating strategies via activist board members and teams of experts	$ 1,090,988	$ -	$ 70,706	At the general partner's discretion before closure and then at the close of the fund	Redemption upon fund closure, which will be the 10th anniversary of the first investment closing (or earlier at the general partner's discretion), but with three one-year extensions permitted at the general partner's discretion.
Olympus Partners Growth Fund VI (2/2014) - private equity	Control middle-market leveraged buyouts or minority ownership financing in fundamentally sound businesses with potential for growth or operational improvement.	$ 495,327	$ 114,572	$ 771,460	Distribution at the close of the fund or sooner, at the discretion of the general partner. Four-year commitment period, with 10-year fee period and expected life of the fund.	Amount and timing of distributions are at the sole discretion of the general partner.
P.L. Capital Group Financial Edge Fund (9/2012 and 9/2013) - liquid private equity	Long-term appreciation by investing in securities of banking and financial services and becoming activist owners in those firms to improve value.	$ 4,616,024	$ 4,200,336	N/A	Distribution at the discretion of the general partner but generally upon the owner's redemption of holdings in the fund.	Withdrawals permitted only one year after investment plus 60-days' notice. No fixed date for the termination of the partnership.
Excelsior Realty (10/2010 bequest) - limited partnership	Long-term capital gains through real estate holdings.	$ 35,000	$ 379,554	N/A	Annual payment of prorated share of income.	General partner has stated that it is selling all holdings. An offer has been received on properties.
	TOTAL	**$ 14,431,639**	**$ 12,991,631**	**$ 4,714,362**		

Continued

6. **Fair Value Measurements:** (continued)

The preceding methods may produce a fair-value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Transfers are measured at fair value on the date the transfer takes place. The Foundation recognizes transfers between levels in the fair-value hierarchy at the end of the reporting period.

7. **Related Party Transactions:**

The changes in due to affiliate as of June 30, 2016, and 2015, are as follows:

	2016	2015
Opening balance	$ 4,836,455	$ 5,513,064
Change in amount due to Overlook Division	58,422	(676,609)
Totals	4,894,877	4,836,455
Less current portion	-	-
Long-term portion	$ 4,894,877	$ 4,836,455

The Foundation reimburses the Overlook Division on a monthly basis for operating costs paid by the Hospital on its behalf. These costs include payroll and employee fringe benefits, office equipment charges, and office supplies. As of June 30, 2016, and 2015, the Foundation owed $159,881 and $136,474, respectively, to the Hospital for the above costs, which are included in accounts payable and accrued expenses on the accompanying statements of financial position.

The grant payable to affiliate is summarized as follows:

	2016	2015
Grant payable in:		
Less than one year	$ 1,255,806	$ 4,339,265

This grant represents funds granted to Perioperative Services Department for the operating room project

Continued

8. **Grant payable to non-affiliate:**

This grant represents funds granted to an outside organization to fund the construction of a new first aid squad building. The grant payable is due as follows:

	2016	2015
Less than one year	$ 50,000	$ 50,000
One to five years	100,000	150,000
Total	150,000	200,000
Less unamortized discount at 3.5%	(5,015)	(9,918)
Less current portion	(50,000)	(50,000)
	$ 94,985	$ 140,082

9. **Temporarily Restricted Net Assets:**

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Research	$ 722,329	$ 774,280
Scholarship and education	5,607,780	5,779,084
Construction and equipment	8,020,321	6,541,170
Program support services	19,844,222	19,589,175
Family service association	716,346	695,536
	$ 34,910,998	$ 33,379,245

The restrictions primarily indicate that the contributions be used to support specific programs of the Overlook Division of the Hospital.

10. **Endowment:**

The Foundation’s endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act (“NJUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

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10. **Endowment:** (continued)

The accumulation of interest income, realized gains and losses and unrealized gains and losses are recorded 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 NJUPMIFA.

In accordance with the standard of prudence described by NJUPMIFA, the Foundation adopted an endowment spending rate which is approved annually by the Foundation's Board of Trustees. The spending rate is determined by the balance in the endowments, plus the balance of the associated temporarily restricted net assets, net of outstanding pledges, multiplied by the approved spending rate. The spending rate adopted for fiscal year 2016 and 2015 was 4.25%.

In accordance with NJUPMIFA, 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 Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

Endowment net asset composition by type of fund and changes in endowment net assets as of and for the year ended June 30, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 18,436,210	$ 29,603,295	$ 48,039,505
Endowment net assets, beginning of year	$ 18,884,200	$ 28,403,864	$ 47,288,064
Investment return - net depreciation	(629,192)		(629,192)
Investment income	1,165,247		1,165,247
Contributions	20,175	1,199,431	1,219,606
Appropriation of endowment assets for expenditure	(1,004,220)		(1,004,220)
Endowment net assets, end of year	$ 18,436,210	$ 29,603,295	$ 48,039,505

Continued

10. **Endowment:** (continued)

Endowment net asset composition by type of fund and changes in endowment net assets as of and for the year ended June 30, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 18,884,200	$ 28,403,864	$ 47,288,064
Endowment net assets, beginning of year	$ 18,520,316	$ 27,210,453	$ 45,730,769
Investment return - net appreciation	671,476		671,476
Investment income	931,142		931,142
Contributions	4,618	1,193,411	1,198,029
Appropriation of endowment assets for expenditure	(1,243,352)		(1,243,352)
Endowment net assets, end of year	$ 18,884,200	$ 28,403,864	$ 47,288,064

Spending policy and how the Investment Objectives Relate to Spending Policy

The Foundation has an annual endowment spending policy that is specifically designed to assist in funding annual programming objectives and to preserve the value of the investment portfolio over time. In establishing this policy, the Foundation considers the long-term expected return of its endowment.

Accordingly, over the long term the Foundation expects the current spending policy to allow its endowment to grow and maintain its value to support operations in the future. To meet these objectives, the Foundation utilizes a total return investment approach that emphasizes total return, consisting of investment income and realized and unrealized gains or losses and, accordingly, invests in mutual funds, bond funds, a preferred stock fund, U.S. Treasury notes, and private equities.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gift donated to the permanent endowment. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from prolonged unfavorable market fluctuations that continued to erode the accumulated gains of the permanently restricted endowments as well as continued appropriation for certain programs that was deemed prudent by the Foundation's Board of Trustees.

Continued

10. **Endowment:** (continued)

Subsequent gains that restore the fair value of the assets of the endowment funds to the required level stipulated by donors will be classified initially as increases in unrestricted net assets to the extent that shortfalls were charged to that fund and then to temporarily restricted net assets. At June 30, 2016, and 2015, there was no individual endowment fund within the permanently restricted net asset category with a fair value less than its historical corpus value.

11. **Pension Plan:**

Employees of the Foundation are salaried employees of the Hospital and participate in the Employees' Cash Balance Plan of Atlantic Health System, Inc. (the "Plan"). The Plan is a non-contributory defined benefit plan. There is no method of determining the present value of the Foundation employees' pension benefits because of multiple entities in the Plan. The Hospital bills the Foundation a percentage of total Foundation salaries to cover pension costs and other fringe benefits and does not break out pension costs separately. Management receives and reviews a copy of the Hospital's pension plan on an annual basis.

Effective January 1, 2014, the cash balance pension plan has been frozen to new employees hired after December 15, 2013. All employees hired after December 15, 2013 are eligible to participate in the Atlantic Health System 403B Defined Contribution Plan through voluntary paycheck contributions. In order to become a participant the employee must have satisfied the attainment of age 21 and completed one year of service. However, the employee may contribute starting on the date of hire as deferred contributions. Atlantic Health System will match the employees' contributions 100 percent up to a maximum of 1 to 3 percent of compensation depending on years of service. In addition, Atlantic Health makes a fixed non-elective contribution to each eligible participant equal to 2 percent of compensation to the participants employed at the end of the year.

12. **Conditional Grant:**

Overlook Foundation has authorized a grant to Overlook Medical Center for $1 million to support the construction of a helipad atop the hospital. The grant is contingent upon: 1) the certification of the helipad; and 2) the first successful transport of a patient to Overlook Medical Center. The conditional grant will be considered unconditional when the aforementioned conditions are met.

Concluded