

Overlook Foundation
Financial Statements
and Independent Auditor's Report
June 30, 2020 and 2019

Overlook Foundation

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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, 2020 and 2019, 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.

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, 2020 and 2019, 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.



Holmdel, New Jersey
December 14, 2020

Overlook Foundation
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 10,382,836	\$ 5,777,111
Current portion pledges receivable, net	3,404,000	3,290,045
Prepaid expenses and other assets	100,678	133,386
Total current assets	13,887,514	9,200,542
Gift annuity investments	2,604,923	2,924,614
Investments	80,564,422	84,496,553
Pledges receivable, less current portion, net	8,678,256	4,652,249
Due from charitable trusts	587,044	963,434
Other assets	488,577	2,508
Total assets	\$ 106,810,736	\$ 102,239,900
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable and accrued expenses	\$ 366,939	\$ 552,320
Grant payable to affiliate	44,868	1,138,531
Deferred revenue	-	63,030
Total current liabilities	411,807	1,753,881
Gift annuity obligations	782,326	993,674
Due to affiliate	4,324,755	4,491,165
Total liabilities	5,518,888	7,238,720
Commitments and contingencies		
Net assets		
Without donor restrictions		
Undesignated	6,201,088	5,902,711
Board designated	3,242,548	3,249,575
Total without donor restrictions	9,443,636	9,152,286
With donor restrictions		
Time and purpose restricted	60,616,255	54,757,520
Perpetual in nature	31,231,957	31,091,374
Total with donor restrictions	91,848,212	85,848,894
Total net assets	101,291,848	95,001,180
Total liabilities and net assets	\$ 106,810,736	\$ 102,239,900

See Notes to Financial Statements.

Overlook Foundation
Statements of Activities
Years Ended June 30, 2020 and 2019

	June 30, 2020				June 30, 2019			
	With donor restrictions				With donor restrictions			
	Without donor restrictions	Time and purpose restricted	Perpetual in nature	Total	Without donor restrictions	Time and purpose restricted	Perpetual in nature	Total
Operating revenues and other support								
Public support	\$ 2,639,584	\$ 12,039,178	\$ 140,583	\$ 14,819,345	\$ 1,791,414	\$ 11,371,509	\$ 261,603	\$ 13,424,526
Net assets released from restrictions	4,897,204	(4,897,204)	-	-	6,739,904	(6,739,904)	-	-
Total operating revenues and other support	<u>7,536,788</u>	<u>7,141,974</u>	<u>140,583</u>	<u>14,819,345</u>	<u>8,531,318</u>	<u>4,631,605</u>	<u>261,603</u>	<u>13,424,526</u>
Expenses								
Grants and other program expenses	4,236,058	-	-	4,236,058	7,010,514	-	-	7,010,514
Management and general expenses	1,471,746	-	-	1,471,746	1,464,287	-	-	1,464,287
Fundraising expenses	966,016	-	-	966,016	1,108,027	-	-	1,108,027
Total expenses	<u>6,673,820</u>	<u>-</u>	<u>-</u>	<u>6,673,820</u>	<u>9,582,828</u>	<u>-</u>	<u>-</u>	<u>9,582,828</u>
Increase (decrease) in net assets from operations	<u>862,968</u>	<u>7,141,974</u>	<u>140,583</u>	<u>8,145,525</u>	<u>(1,051,510)</u>	<u>4,631,605</u>	<u>261,603</u>	<u>3,841,698</u>
Non-operating revenues (expenses)								
Investment income (loss), net	(571,618)	(1,283,239)	-	(1,854,857)	817,371	2,317,448	-	3,134,819
Other expense	-	-	-	-	(43,980)	-	-	(43,980)
Total non-operating revenues (expenses)	<u>(571,618)</u>	<u>(1,283,239)</u>	<u>-</u>	<u>(1,854,857)</u>	<u>773,391</u>	<u>2,317,448</u>	<u>-</u>	<u>3,090,839</u>
Change in net assets	291,350	5,858,735	140,583	6,290,668	(278,119)	6,949,053	261,603	6,932,537
Net assets, beginning of year	<u>9,152,286</u>	<u>54,757,520</u>	<u>31,091,374</u>	<u>95,001,180</u>	<u>9,430,405</u>	<u>47,808,467</u>	<u>30,829,771</u>	<u>88,068,643</u>
Net assets, end of year	<u>\$ 9,443,636</u>	<u>\$ 60,616,255</u>	<u>\$ 31,231,957</u>	<u>\$ 101,291,848</u>	<u>\$ 9,152,286</u>	<u>\$ 54,757,520</u>	<u>\$ 31,091,374</u>	<u>\$ 95,001,180</u>

See Notes to Financial Statements.

Overlook Foundation

Statements of Functional Expenses Years Ended June 30, 2020 and 2019

	2020			
	Grants and other program expenses	Management and general expenses	Fundraising expenses	Total
Grants and program related costs	\$ 3,711,712	\$ -	\$ -	\$ 3,711,712
Salaries and related costs	501,003	1,035,348	580,876	2,117,227
Professional fees	-	204,191	196,423	400,614
Donor relations and prospect research	3,207	10,759	11,635	25,601
Communications and marketing expenses	16,064	54,453	26,509	97,026
Travel and entertainment	3,396	3,501	3,280	10,177
Office expenses and supplies	-	22,165	-	22,165
Office equipment rental and maintenance	-	13,173	-	13,173
Computer services and software licenses	-	16,904	-	16,904
Postage, shipping and courier services	676	7,300	4,702	12,678
Dues and subscriptions	-	14,167	19,815	33,982
Bank, credit card and other fees	-	22,944	-	22,944
Bad debt expense	-	40,320	-	40,320
Event catering and other costs	-	-	122,776	122,776
Insurance and miscellaneous expenses	-	26,521	-	26,521
	<u>\$ 4,236,058</u>	<u>\$ 1,471,746</u>	<u>\$ 966,016</u>	<u>\$ 6,673,820</u>
	2019			
	Grants and other program expenses	Management and general expenses	Fundraising expenses	Total
Grants and program related costs	\$ 6,589,693	\$ -	\$ -	\$ 6,589,693
Salaries and related costs	401,866	907,616	706,581	2,016,063
Professional fees	-	315,723	223,832	539,555
Donor relations and prospect research	-	34,697	12,962	47,659
Communications and marketing expenses	16,590	42,237	30,942	89,769
Travel and entertainment	1,495	4,052	2,823	8,370
Office expenses and supplies	-	19,648	-	19,648
Office equipment rental and maintenance	-	13,611	-	13,611
Computer services and software licenses	-	11,752	-	11,752
Postage, shipping and courier services	870	2,314	4,256	7,440
Dues and subscriptions	-	12,911	24,979	37,890
Bank, credit card and other fees	-	15,410	-	15,410
Bad debt expense	-	38,371	-	38,371
Event catering and other costs	-	-	101,652	101,652
Insurance and miscellaneous expenses	-	45,945	-	45,945
	<u>\$ 7,010,514</u>	<u>\$ 1,464,287</u>	<u>\$ 1,108,027</u>	<u>\$ 9,582,828</u>

See Notes to Financial Statements.

Overlook Foundation

**Statements of Cash Flows
Years Ended June 30, 2020 and 2019**

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 6,290,668	\$ 6,932,537
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized losses on investments	5,383,553	470,208
Contributions restricted to endowment	(140,583)	(261,603)
Realized gains on investments	(1,918,682)	(2,157,799)
Loss on disposal of asset	-	43,980
Bad debt expense	40,320	38,371
Pledges receivable discount	(124,063)	497,607
Gift annuities discount	(60,618)	74,538
Charitable remainder trust discount	(108,610)	(117,752)
Changes in operating assets and liabilities		
Pledges receivable	(4,056,219)	(5,660,186)
Prepaid expenses and other current assets	32,708	(20,489)
Accounts payable and accrued expenses	(185,381)	143,248
Deferred revenue	(63,030)	53,030
Grant payable to affiliate	(1,093,663)	935,379
Grant payable to non-affiliate	-	(50,000)
	3,996,400	921,069
Net cash provided by operating activities		
Cash flows from investing activities		
Proceeds from the sale of investments	31,673,537	22,174,523
Expenditures for investments	(30,886,586)	(19,794,639)
Cash surrender value donated life insurance	(1,069)	17,753
Proceeds from the sale of other asset	-	70,071
Due to affiliate	(166,410)	(264,780)
	619,472	2,202,928
Net cash provided by investing activities		
Cash flows from financing activities		
Net payment of annuity obligations	(150,730)	(137,794)
Contributions restricted to endowment	140,583	261,603
	(10,147)	123,809
Net cash (used in) provided by financing activities		
Net increase in cash and cash equivalents	4,605,725	3,247,806
Cash and cash equivalents, beginning of year	5,777,111	2,529,305
Cash and cash equivalents, end of year	\$ 10,382,836	\$ 5,777,111

See Notes to Financial Statements.

Overlook Foundation

Notes to Financial Statements June 30, 2020 and 2019

Note 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.

Note 2 - Summary of significant accounting policies

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.

Accounting pronouncements adopted

During 2020, the Foundation adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* ("ASU 2018-08"). This standard assists entities in evaluating whether grants and similar contracts should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Foundation's implementation of ASU 2018-08.

Net assets

The classification of the Foundation's net assets and its revenue, gains and losses is based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Without donor restrictions

Net assets that are not subject to donor-imposed stipulations.

With donor restrictions

Net assets subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature that may, or will be, met by either actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources 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.

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.

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

Overlook Foundation

Notes to Financial Statements June 30, 2020 and 2019

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, 2020 and 2019, 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.

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, 2020, and two pledges at June 30, 2019, that account for approximately 39% and 34%, respectively, of the pledges receivable on those dates.

Concentrations of credit risk with respect to investments pertains to two and three mutual fund investments, representing 24% and 32% of the total investments as of June 30, 2020 and 2019, 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.

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.

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.

Investments and net investment income

Investments in mutual funds, money market funds, bond funds, fixed income and alternative investments are carried at fair value. Donated securities are recorded at fair value at date of receipt. Investment related expenses are netted against investment return (including unrealized gains and losses on investments) and are included in the statements of activities.

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Assets received with donor restrictions that expire within the same year as received are recorded as net assets without donor restrictions.

Overlook Foundation

Notes to Financial Statements June 30, 2020 and 2019

Trusts

The Foundation receives income from funds held in trust by others. Income is recognized upon receipt and is recorded in net assets with donor restrictions 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.

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, 2020 and 2019, the gross gift value of these annuity contracts was \$2,036,009 and \$2,286,009, respectively.

The Foundation is required by state mandate to establish a reserve which amounted to \$890,940 and \$1,139,951 at June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019, the Foundation had \$2,604,923 and \$2,924,614, respectively, in assets limited to use for the gift annuity contracts, which exceeds the minimum requirement.

Grants

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

Donated services

The Foundation received donated facilities and services from the Overlook Division that are immaterial to the financial statements for the years ended June 30, 2020 and 2019.

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, 2020 and 2019. The Foundation's federal and state information returns prior to fiscal years 2017 and 2016, 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, 2020 and 2019.

Functional allocation of expenses

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

Overlook Foundation

Notes to Financial Statements June 30, 2020 and 2019

usage or other equitable bases established by management. Salaries and related costs are allocated based on a time tracking module used by the staff to estimate the time spent on each of the three functional expense categories. Applying those time allocations to the salary and related costs substantiates an accurate allocation of those expenses.

Measure of operations

In its statements of activities, the Foundation includes in its definition of operating activities, all revenue and expenses that are an integral part of its programs and supporting activities. Investment income is recognized as a nonoperating activity in the accompanying statements of activities.

Subsequent events

Subsequent events have been evaluated through December 14, 2020, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and availability of financial assets

The Foundation is primarily supported by donations. Because donor restrictions require resources to be used in a particular manner or in future periods, not all financial assets may be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general operations, liabilities, and other obligations require. To satisfy its objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board of Trustees has designated \$3,000,000 of unrestricted net assets as an operating reserve. These board-designated net assets are included in net assets without donor restrictions in the statements of financial position. Although the Board of Trustees does not intend to spend these board-designated funds, they can be made available for general expenditure if necessary.

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

	2020	2019
Cash	\$ 10,382,836	\$ 5,777,111
Pledges receivable	12,082,256	7,942,294
Investments	83,169,345	87,421,167
Total financial assets	105,634,437	101,140,572
Less amounts not available to be used within one year:		
Gift annuity obligations	(890,940)	(1,139,951)
Board-designated endowment funds	(242,548)	(249,575)
Total donor-restricted funds	(60,616,255)	(54,757,520)
Endowment funds	(31,231,957)	(31,091,374)
Financial assets available for general expenditure within one year	\$ 12,652,737	\$ 13,902,152

Note 4 - Due from charitable trusts

The Foundation received two retained life estates, one of which the Foundation took ownership of during 2020. The fair value of the life estates is \$587,044 and \$963,434 as of June 30, 2020 and

Overlook Foundation

Notes to Financial Statements June 30, 2020 and 2019

2019, respectively. During 2020 and 2019, the Foundation recorded income of \$108,610 and \$117,752, respectively, in the statements of activities as present value adjustments relating to the retained life estates.

Note 5 - 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 1.3% to 4.8% and are as follows:

	2020	2019
Pledges receivable in:		
Less than one year	\$ 4,984,500	\$ 3,370,045
One to five years	8,633,796	5,956,852
After five years	650,000	925,000
	14,268,296	10,251,897
Less:		
Unamortized discount	(605,540)	(729,603)
Allowance for doubtful pledges	(1,580,500)	(1,580,000)
Present value of pledges receivable	12,082,256	7,942,294
Less current portion	(3,404,000)	(3,290,045)
Long-term portion	\$ 8,678,256	\$ 4,652,249

Note 6 - Investments

Investments at fair value consist of the following at June 30, 2020 and 2019:

	2020	2019
U.S. Treasury notes	\$ 8,070,949	\$ 13,119,305
Mutual funds	49,448,364	47,071,327
Bond funds	13,067,160	12,938,160
Alternative investments	12,582,872	14,292,375
Total	\$ 83,169,345	\$ 87,421,167

The Foundation received contributions for which the Overlook Division 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.

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Notes to Financial Statements June 30, 2020 and 2019

Investment income, net of fees, for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Interest and dividend income	\$ 1,699,334	\$ 1,601,767
Realized gains, net	1,918,682	2,157,799
Unrealized losses, net	(5,383,553)	(470,208)
Investment fees	(89,320)	(154,539)
Investment income (loss)	<u>\$ (1,854,857)</u>	<u>\$ 3,134,819</u>

Note 7 - 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.

Financial assets carried at fair value at June 30, 2020 and 2019 are classified in the tables below in one of the three categories described above.

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Notes to Financial Statements June 30, 2020 and 2019

	2020		
	Level 1	Level 2	Total
Money market funds	\$ 3,219,176	\$ -	\$ 3,219,176
Mutual funds			
Large cap - U.S.	11,351,612	-	11,351,612
Mid cap - U.S.	9,065,951	-	9,065,951
Small cap - U.S.	7,503,146	-	7,503,146
International Developed	12,428,114	-	12,428,114
Emerging market	1,595,237	-	1,595,237
Real estate	1,680,204	-	1,680,204
Bond funds			
Investment grade taxable	9,677,045	-	9,677,045
Investment grade tax exempt	3,377,898	-	3,377,898
Global high yield taxable	12,217	-	12,217
U.S. Treasury notes	-	8,070,949	8,070,949
Subtotal	59,910,600	8,070,949	67,981,549
Investments - gift annuities			
Mutual funds			
Large cap - U.S.	2,604,924	-	2,604,924
Retained life estate	-	587,044	587,044
Alternative investments, measured at net asset value	-	-	12,582,872
Total assets, at fair value	<u>\$ 62,515,524</u>	<u>\$ 8,657,993</u>	<u>\$ 83,756,389</u>
	2019		
	Level 1	Level 2	Total
Money market funds	\$ 5,826,464	\$ -	\$ 5,826,464
Mutual funds			
Large cap - U.S.	10,053,240	-	10,053,240
Mid cap - U.S.	18,063,510	-	18,063,510
International Developed	9,242,431	-	9,242,431
Emerging market	961,068	-	961,068
Bond funds			
Investment grade taxable	10,201,697	-	10,201,697
Investment grade tax exempt	1,078,929	-	1,078,929
Global high yield taxable	1,657,534	-	1,657,534
U.S. Treasury notes	-	13,119,305	13,119,305
Subtotal	57,084,873	13,119,305	70,204,178
Investments - gift annuities			
Mutual funds			
Large cap - U.S.	2,924,614	-	2,924,614
Retained life estate	-	963,434	963,434
Alternative investments, measured at net asset value	-	-	14,292,375
Total assets, at fair value	<u>\$ 60,009,487</u>	<u>\$ 14,082,739</u>	<u>\$ 88,384,601</u>

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Notes to Financial Statements June 30, 2020 and 2019

In accordance with Subtopic 820-10, certain investments that were measured at net asset value ("NAV") per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

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

Mutual funds, money market funds and bond funds: Valuations of mutual funds, money market funds and bond 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 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, 2020 and 2019.

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.

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Notes to Financial Statements June 30, 2020 and 2019

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.

Alternative investments/dates	Strategy	Fair value June 30, 2020	Fair value June 30, 2019	Unfunded commitment at June 30, 2020	Redemption terms and restrictions
P L Capital Group Financial Edge Fund (9/2012, 9/2013, 6/2014)	Long-term appreciation by investing in securities of banking and financial services and becoming activist owners in those firms to improve value.	\$ 4,239,572	\$ 5,912,890	N/A	Distributions at the discretion of the general partner but generally only upon the owner's redemption of holdings in the fund. Withdrawals after one year of investment plus sixty days' notice. No fixed date for the termination of the partnership.
Angelo Gordon Growth Capital Partners I (12/2007)	Investment in distressed middle-market companies and out-of-mainstream deep-value opportunities.	264,472	655,227	65,000	Investment term of 7 to 10 years from December 2008. Payout after the closure of the fund. The term of the partnership was extended to December 31, 2019.
Angelo Gordon Net Lease Realty Fund III (4/2014)	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.	944,262	980,460	40,000	No redemption of partnership interests until after the 11-year term of the partnership. Distributions after the four-year commitment period unless sooner at the discretion of the general partner from rental or investment income. After the commitment period, quarterly distributions from net cash flow from property and interim investments.
Angelo Gordon Europe Realty Fund (3/2015)	Purchase of sub-performing and distressed commercial real estate assets and debt, most often in the U.K. Germany, France, and the Benelux countries. Business plan is to reposition assets after capital inflow and management change.	846,941	1,087,787	201,525	Distributions during the four-year commitment period are 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.
Angelo Gordon Europe Realty Holdings Fund III LP (4/2020)	Invests in value-added real estate assets and performing and non-performing mortgages concentrated in Europe.	256,996	-	1,720,000	The term of the partnership will continue until dissolution of AG Europe III. The term of AG Europe Realty III is eight years from the final admission date. The general partner may extend the term two, one-year terms.
GS Mt. Kellett Capital Partners Corporate Access LP (8/2008)	Investments in debt and equity of public and private firms, especially ones with tangible assets; bank loans and bonds; distressed investments, activist control positions in firms; stressed portfolios - all in North America, Europe, and Asia.	32,508	42,985	44,055	Term of fund or at the discretion of the general partner. Target is seven years. Distribution at least within one year after the liquidation of all assets at the discretion of the general partner. Quarterly liquidity with 60 days' notice.
GS Private Equity Partners IX Offshore LP (5/2011 secondary purchase of position)	Multi-strategy (turn-around, venture capital, large and middle-market buyouts, and industry-focused), direct and indirect equity investments primarily in North America and Europe.	218,910	212,183	115,897	Through the later of Dec. 16, 2016, or one year after liquidation of fund holdings. Redemption upon fund closure.
GS Perry Private Opportunities Fund Offshore LP (4/2012 secondary purchase of position)	Less liquid opportunities within special situations (growth financing, restructuring), including portions of opportunities that their related hedge fund cannot own, joint government ventures, energy.	14,461	52,322	379,485	Distribution within one year after the liquidation of all assets or at the discretion of the general partner. Redemption upon fund closure.
GS Energy Private Equity Managers (Concentrated) Offshore LP (7/2012 secondary purchase of position)	Pooled/direct investments in oil, gas, and coal exploration, pipelines, refining facilities; and energy/power distribution and transmission.	63,341	97,160	19,584	Distribution within one year of the close of the fund or at partner's discretion. Fund to close later of 12/31/2016 or one year after liquidation of the fund's investments.
GS Mezzanine Partners 2006 Offshore LP (6/2011 secondary purchase of position)	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.	12,883	18,478	20,002	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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Alternative investments/dates	Strategy	Fair value June 30, 2020	Fair value June 30, 2019	Unfunded commitment at June 30, 2020	Redemption terms and restrictions
GS Anchorage Illiquid Opportunities IV Access Offshore LP (1/ 2014)	Long-term investment exploiting dislocations in the credit and asset markets of North America, Europe, Australia, and New Zealand, especially in small to medium-sized opportunities. Also perhaps in cash and derivative instruments that are structured products linked to corporate and asset-backed credit risk.	764,124	1,161,006	431,287	Payments at the general partner's discretion until dissolution of the partnership. Thereafter as sale of assets permit. Five-year life to the partnership, with two optional years.
GS Private Equity Co-Investment Partners Offshore (3/2015)	Long-term compounded returns through 20 to 30 investments in companies alongside other managers, primarily in middle market buyout opportunities but also in distressed and growth companies in North America and Western Europe.	1,236,660	1,208,686	104,488	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 Thomas H. Lee Equity VI Access Offshore LP (3/2016 secondary purchase of position)	Create substantial capital gains by a value added approach through purchasing, leading, and managing large growth-oriented companies, including helping companies develop sound, efficient operating strategies via active board members and teams of experts.	76,755	368,885	64,354	Redemption at the closure of the fund on the 10th anniversary of the first investment closing (or earlier at general partner's discretion), with three one-year extensions possible at the general partner's discretion.
Olympus Partners Growth Fund VI (3/2013)	Control middle-market leveraged buyouts or minority ownership financing in fundamentally sound businesses with potential for growth or operational improvement.	731,949	790,120	132,754	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.
Partners Group Real Estate Secondary 2017 (5/2017)	Investments in existing real estate-related assets, including funds, partnerships, equity, mezzanine debt, pooled investment vehicles, and similar assets and then providing management expertise.	825,122	493,059	771,244	Full redemption 10 years after the final closing, subject to three one-year extensions, with interim payments possible from exiting investments, at the general partner's discretion.
Avenue Aviation Opportunities Fund LP (4/2020)	Investments in in-production, ubiquitous, mid-life commercial passenger aircraft and in aviation-related hard and soft assets for the purposes of leasing to carriers, mostly international, and at the end of aircraft life the sale of viable spare parts.	267,330	-	-	The term of the partnership expires December 31, 2020 and may be extended at the discretion of the general partner for two consecutive one-year periods and further extended with the consent of a majority in interest of the limited-partners for up to two consecutive additional one year periods.
Avenue Aviation Opportunities Fund II (Offshore) LP (12/2017)	Investments in in-production, ubiquitous, mid-life commercial passenger aircraft and in aviation-related hard and soft assets for the purposes of leasing to carriers, mostly international, and at the end of aircraft life the sale of viable spare parts.	1,784,919	1,176,128	329,901	Fund to end on the fifth anniversary of the final investment closing of the fund, with two, one-year extensions permitted. No distributions in the first two years but thereafter return of capital over the investment period and eight percent cumulative compounded annual rate of return on the unreturned portion until the end of the fund.
Excelsior Holdings (limited partnership via bequest)	Long-term capital gains through real estate holdings.	1,667	35,000	N/A	Annual payment of prorated income share from partnership. GP sold NYC properties for \$12M; two distributions to date totaling \$680,000.
Total		<u>\$ 12,582,872</u>	<u>\$ 14,292,375</u>	<u>\$ 4,439,576</u>	

Note 8 - Related party transactions

The changes in due to affiliate as of June 30, 2020 and 2019 are as follows:

	2020	2019
Opening balance	\$ 4,491,165	\$ 4,755,945
Change in amount due to Overlook Division	<u>(166,410)</u>	<u>(264,780)</u>
Total	<u>\$ 4,324,755</u>	<u>\$ 4,491,165</u>

The Foundation reimburses the Overlook Division on a monthly basis for operating costs paid on its behalf. These costs include payroll and employee fringe benefits, office equipment charges, and office

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supplies. In addition, the Foundation reimburses the Overlook Division for expenses incurred that meet specific donor guidelines. As of June 30, 2020 and 2019, the Foundation owed \$260,378 and \$521,107, respectively, to the Overlook Division 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:

	<u>2020</u>	<u>2019</u>
Grant payable in less than one year	<u>\$ 44,868</u>	<u>\$ 1,138,531</u>

The balance of grant payable at June 30, 2020 and 2019, represents funds granted for the following purposes:

	<u>2020</u>	<u>2019</u>
Emergency Department	\$ -	\$ 1,089,563
AHS Research grant	<u>44,868</u>	<u>48,968</u>
	<u>\$ 44,868</u>	<u>\$ 1,138,531</u>

Note 9 - Board-designated net assets

During the year ended June 30, 2019, the Board of Trustees approved the establishment of a \$3,000,000 board-designated fund, the purpose of which is to represent an operating reserve.

During 2017, the Board of Trustees had designated \$216,431 of unrestricted net assets as a general endowment fund to support the palliative care program at the Overlook Division.

The value of the board-designated fund at both June 30, 2020 and 2019 was \$3,242,548 and \$3,249,575, respectively.

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**Notes to Financial Statements
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Note 10 - Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose		
Research	\$ 572,282	\$ 600,584
Scholarship and education	794,814	883,276
Construction and equipment	23,276,408	12,603,342
Program support services	9,271,299	9,762,000
	33,914,803	23,849,202
Subject to the passage of time		
Pledges receivable not restricted by donors but unavailable for expenditure until due	498,042	829,741
Beneficial interests in charitable trusts held by others	587,044	963,434
Assets held under split-interest agreements	538,802	734,916
	1,623,888	2,528,091
Total time and purpose restricted net assets	35,538,691	26,377,293
Endowments		
Subject to endowment spending policy and appropriation		
Research	1,720	1,720
Scholarship and education	5,064,193	5,036,967
Construction and equipment	2,042,358	2,042,358
Program support services	23,456,559	23,343,229
Family service association	667,127	667,100
	31,231,957	31,091,374
Subject to appropriation and expenditure when a specified event occurs		
Research	8,145	8,430
Scholarship and education	6,179,874	6,781,745
Construction and equipment	1,695,220	1,842,401
Program support services	16,253,743	18,707,725
Family service association	940,582	1,039,926
	25,077,564	28,380,227
Total endowments	56,309,521	59,471,601
Total net assets with donor restrictions	\$ 91,848,212	\$ 85,848,894

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Notes to Financial Statements June 30, 2020 and 2019

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

Note 11 - Endowment

The Foundation's endowment includes both donor-restricted endowments and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2017, the Board of Trustees had designated \$216,431 of unrestricted net assets as a general endowment fund to support the palliative care program at the Overlook Division. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as net assets without donor restrictions. The value of this board-designated endowment fund at June 30, 2020 and 2019 was \$242,548 and \$249,575, respectively.

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 retains in perpetuity:

The original value of gifts donated to the endowment, and (b) the original value of subsequent gifts to the endowment.

Donor restricted amounts including interest income, realized gains and losses, and unrealized gains and losses are not retained in perpetuity and are subject to appropriation 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 years 2020 and 2019 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.

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Notes to Financial Statements June 30, 2020 and 2019

As of June 30, 2020 and 2019, the Foundation had the following endowment net asset composition by type of fund:

	2020		
	Board- designated	With donor restrictions	Total
Board-designated endowment funds	\$ 242,548	\$ -	\$ 242,548
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	31,231,957	31,231,957
Accumulated investment gains	-	25,077,564	25,077,564
Total	\$ 242,548	\$ 56,309,521	\$ 56,552,069
	2019		
	Board- designated	With donor restrictions	Total
Board-designated endowment funds	\$ 249,575	\$ -	\$ 249,575
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	31,091,374	31,091,374
Accumulated investment gains	-	28,380,227	28,380,227
Total	\$ 249,575	59,471,601	\$ 59,721,176

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	2020		
	Board- designated	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 249,575	\$ 59,471,601	\$ 59,721,176
Investment return - net depreciation	(11,450)	(2,492,145)	(2,503,595)
Investment income	4,423	1,070,099	1,074,522
Contributions	-	140,583	140,583
Appropriation of endowment asset	-	(1,880,617)	(1,880,617)
Endowment net assets, end of year	\$ 242,548	\$ 56,309,521	\$ 56,552,069

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Notes to Financial Statements June 30, 2020 and 2019

	2019		
	Board-designated	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 242,495	\$ 58,417,913	\$ 58,660,408
Investment return - net appreciation	2,846	998,051	1,000,897
Investment income	4,234	1,041,160	1,045,394
Contributions	-	261,603	261,603
Appropriation of endowment asset	-	(1,247,126)	(1,247,126)
Endowment net assets, end of year	<u>\$ 249,575</u>	<u>\$ 59,471,601</u>	<u>\$ 59,721,176</u>

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 endowment (underwater endowments).

The Board of Trustees of the Foundation has interpreted NJUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2020, and 2019, there were no individual endowment funds with a fair value less than their historical corpus value.

Note 12 - Pension plan

Employees of the Foundation are employees of the Overlook Division 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 Overlook Division 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 Overlook Division's pension plan on an annual basis.

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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 eligible for the match and fixed non-elective contribution, the employee must have satisfied the attainment of age 21 and completed one year of service and 1,000 hours. 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 6 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.

Note 13 - Contingency

In early 2020, the coronavirus that causes COVID-19 spread to the United States and caused business disruption and significant uncertainty in the financial markets in the area in which the Foundation operates. In March 2020, the Foundation limited the number of staff that would work at the office and implemented remote working options for those employees not in the office. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this event. At this time, the financial impact and duration cannot be reasonably estimated.



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