



**OVERLOOK FOUNDATION**

**FINANCIAL REPORTS  
JUNE 30, 2021 AND 2020**

# OVERLOOK FOUNDATION

## TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7-20



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Overlook Foundation

We have audited the accompanying financial statements of Overlook Foundation, ("the Foundation") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements of the Foundation, as of and for the year ended June 30, 2020, were audited by other auditors whose report, dated December 14, 2020, expressed an unmodified opinion on those statements. We were not engaged to audit, review, or apply any procedures to the Foundation's June 30, 2020 financial statements and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2020 financial statements as a whole.

*Wiss & Company*

WISS & COMPANY, LLP

Florham Park, New Jersey  
December 14, 2021

**OVERLOOK FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2021	2020
<b>ASSETS</b>		
Cash and equivalents	\$ 11,686,170	\$ 10,382,836
Investments	105,922,128	80,564,422
Gift annuity investments	2,982,281	2,604,923
Contributions receivable, net	13,745,695	12,082,256
Prepaid expenses and other assets	70,304	589,255
Life interest in real estate	749,403	689,045
Total Assets	\$ 135,155,981	\$ 106,912,737
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 238,565	\$ 366,939
Grant payable to affiliate	32,715	44,868
Gift annuity obligations	754,629	782,326
Deferred revenue on life interest	101,857	102,001
Due to affiliate	4,155,527	4,324,755
Total Liabilities	5,283,293	5,620,889
<b>NET ASSETS:</b>		
Without donor restrictions:		
Undesignated	14,780,517	6,201,088
Board-designated	3,308,193	3,242,548
	18,088,710	9,443,636
With donor restrictions:		
Purpose or time restricted	80,217,081	60,616,255
Perpetual in nature	31,566,897	31,231,957
	111,783,978	91,848,212
Total Net Assets	129,872,688	101,291,848
Total Liabilities and Net Assets	\$ 135,155,981	\$ 106,912,737

*See accompanying notes to financial statements.*

**OVERLOOK FOUNDATION**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended June 30,							
	2021				2020			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
	Time and Purpose Restricted	Perpetual in Nature			Time and Purpose Restricted	Perpetual in Nature		
<b>OPERATING SUPPORT AND REVENUES:</b>								
Contributions	\$ 1,496,337	\$ 8,678,134	\$ 334,940	\$ 10,509,411	\$ 2,639,584	\$ 11,869,950	\$ 140,583	\$ 14,650,117
Donated rent	72,000	-	-	72,000	72,000	-	-	72,000
Net assets released from restrictions	5,234,253	(5,234,253)	-	-	4,897,204	(4,897,204)	-	-
Total Operating Support and Revenues	<u>6,802,590</u>	<u>3,443,881</u>	<u>334,940</u>	<u>10,581,411</u>	<u>7,608,788</u>	<u>6,972,746</u>	<u>140,583</u>	<u>14,722,117</u>
<b>EXPENSES:</b>								
Grants and other program expenses	5,488,869	-	-	5,488,869	4,254,058	-	-	4,254,058
Management and general expenses	1,574,944	-	-	1,574,944	1,507,746	-	-	1,507,746
Fundraising expenses	848,612	-	-	848,612	984,016	-	-	984,016
Total Expenses	<u>7,912,425</u>	<u>-</u>	<u>-</u>	<u>7,912,425</u>	<u>6,745,820</u>	<u>-</u>	<u>-</u>	<u>6,745,820</u>
Increase (decrease) in net assets from operations	(1,109,835)	3,443,881	334,940	2,668,986	862,968	6,972,746	140,583	7,976,297
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Investment return, net	9,888,884	16,157,423	-	26,046,307	(571,618)	(1,283,239)	-	(1,854,857)
Change in value of split interest agreements	(37,375)	(478)	-	(37,853)	-	169,228	-	169,228
Loss on sale of other asset	(96,600)	-	-	(96,600)	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>9,754,909</u>	<u>16,156,945</u>	<u>-</u>	<u>25,911,854</u>	<u>(571,618)</u>	<u>(1,114,011)</u>	<u>-</u>	<u>(1,685,629)</u>
CHANGE IN NET ASSETS	8,645,074	19,600,826	334,940	28,580,840	291,350	5,858,735	140,583	6,290,668
NET ASSETS, BEGINNING 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>
NET ASSETS, END OF YEAR	<u>\$ 18,088,710</u>	<u>\$ 80,217,081</u>	<u>\$ 31,566,897</u>	<u>\$ 129,872,688</u>	<u>\$ 9,443,636</u>	<u>\$ 60,616,255</u>	<u>\$ 31,231,957</u>	<u>\$ 101,291,848</u>

*See accompanying notes to financial statements.*

**OVERLOOK FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended June 30,							
	2021				2020			
	Grants and Other Program Expenses	Management and General	Fundraising	Total Expenses	Grants and Other Program Expenses	Management and General	Fundraising	Total Expenses
Grants and program related costs	\$ 4,880,981	\$ -	\$ -	\$ 4,880,981	\$ 3,711,712	\$ -	\$ -	\$ 3,711,712
Salaries and related costs	542,725	1,195,855	502,241	2,240,821	501,003	1,035,348	580,876	2,117,227
Professional fees	-	203,425	98,775	302,200	-	204,191	196,423	400,614
Occupancy	18,000	36,000	18,000	72,000	18,000	36,000	18,000	72,000
Donor relations and prospect research	1,268	9,641	2,184	13,093	3,207	10,759	11,635	25,601
Communications and marketing expenses	39,405	18,269	41,243	98,917	16,064	54,453	26,509	97,026
Travel and entertainment	6,490	4,143	8,506	19,139	3,396	3,501	3,281	10,178
Office expenses and supplies	-	10,951	-	10,951	-	22,165	-	22,165
Office equipment rental and maintenance	-	9,599	-	9,599	-	13,173	-	13,173
Computer services and software licenses	-	46,121	-	46,121	-	16,904	-	16,904
Postage, shipping and courier services	-	4,224	5,053	9,277	676	7,300	4,701	12,677
Dues and subscriptions	-	2,947	199	3,146	-	14,167	19,815	33,982
Bank, credit card and other fees	-	22,103	-	22,103	-	22,944	-	22,944
Bad debt expense	-	18,463	-	18,463	-	40,320	-	40,320
Event catering and other costs	-	-	172,411	172,411	-	-	122,776	122,776
Insurance and miscellaneous expenses	-	26,096	-	26,096	-	26,521	-	26,521
	<u>5,488,869</u>	<u>1,607,837</u>	<u>848,612</u>	<u>7,945,318</u>	<u>4,254,058</u>	<u>1,507,746</u>	<u>984,016</u>	<u>6,745,820</u>
Less: expenses included with revenues on the Statements of Activities and Changes in Net Assets - Costs associated with the sale of other assets	<u>-</u>	<u>(32,893)</u>	<u>-</u>	<u>(32,893)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,488,869</u>	<u>\$ 1,574,944</u>	<u>\$ 848,612</u>	<u>\$ 7,912,425</u>	<u>\$ 4,254,058</u>	<u>\$ 1,507,746</u>	<u>\$ 984,016</u>	<u>\$ 6,745,820</u>

*See accompanying notes to financial statements.*

**OVERLOOK FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 28,580,840	\$ 6,290,668
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Unrealized (gains)/losses on investments	(22,201,295)	5,383,553
Realized gains on investments	(2,352,853)	(1,918,682)
Contributions restricted to endowment	(334,940)	(140,583)
Loss on disposal of other asset	96,600	-
Bad debt expense	18,463	40,320
Contributions receivable discount	(82,371)	(124,063)
Gift annuities discount	98,355	(60,618)
Life interest in real estate discount	(60,502)	(108,610)
Changes in operating assets and liabilities:		
Contributions receivable	(1,599,531)	(4,056,219)
Prepaid expenses and other assets	(31,458)	32,708
Accounts payable and accrued expenses	(128,374)	(185,381)
Grant payable to affiliate	(12,153)	(1,093,663)
Gift annuity obligations	5,824	-
Deferred revenue	-	(63,030)
Net cash flows from operating activities	1,996,605	3,996,400
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	27,418,098	31,673,537
Purchases of investments	(28,599,014)	(30,886,586)
Proceeds from sale of other asset	455,000	-
Cash surrender value donated life insurance	(1,191)	(1,069)
Due to affiliate	(169,228)	(166,410)
Net cash flows from investing activities	(896,335)	619,472
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net payment of annuity obligations	(131,876)	(150,730)
Contributions restricted to endowment	334,940	140,583
Net cash flows from financing activities	203,064	(10,147)
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	1,303,334	4,605,725
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	10,382,836	5,777,111
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	\$ 11,686,170	\$ 10,382,836

*See accompanying notes to financial statements.*



# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies:

***Nature of the 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.

***Cash and Equivalents and Credit Risk*** - Cash and equivalents include highly liquid short-term investments, purchased with maturities of three months or less. Cash is maintained in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") of up to \$250,000 each. At times, cash balances may be in excess of the FDIC insurance limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

***Investments and Credit Risk*** – The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investment return is reported in net assets without donor restrictions unless its use is restricted by explicit donor stipulation or by law. Purchases and sales of investments are recorded on a settlement date basis the cost of securities sold is determined using the specific identification method. Investments are reviewed annually for impairment. Management has determined there are no other than temporary losses as of June 30, 2021 and 2020.

Dividends and interest are recognized as earned. Net realized gains or losses and changes in net depreciation in fair value are determined by comparing cost to proceeds and fair market value, respectively. Gains and losses on sales of securities are recorded in the statement of activities and changes in net assets in the period in which the securities are sold.

Concentrations of credit risk with respect to investments pertains to four and two mutual fund investments, representing 48% and 24% of the total investments as of June 30, 2021 and 2020, respectively.

The investments are maintained by investment advisors and protected by the Securities Insurance Protection Corporation ("SIPC"), which provides limited insurance in certain circumstances for securities and cash held in brokerage accounts. The insurance is limited to \$500,000 for securities and \$250,000 for cash balances. The insurance does not protect against investment losses. At times, such balances may be in excess of SIPC insured limits.

***Contributions Receivable, Bad Debts and Credit Risk***– Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable receivables based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectable.

Concentrations of credit risk with respect to contributions receivable pertains to three pledges at June 30, 2021 and 2020, that account for approximately 38% and 39%, respectively, of the contributions receivable on those dates.

## OVERLOOK FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):

**Split Interest Agreements** – Generally Accepted Accounting Principles (“GAAP”) requires the recording of all unconditional, irrevocable split interest agreements under which the Foundation is entitled to receive a benefit.

**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 as a change in value of split interest agreements in the statements of activities and changes in net assets. As of June 30, 2021 and 2020, the Foundation had 59 charitable gift annuity contracts outstanding with a gross gift value of \$2,046,009 and \$2,036,009, respectively.

The Foundation is required by state mandate to establish a reserve which amounted to \$867,215 and \$890,940 at June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, the Foundation had \$2,982,281 and \$2,604,923, respectively, in assets limited to use for the gift annuity contracts, which exceeds the minimum requirement.

**Life Interest in Real Estate** – The Foundation is the beneficiary of a real estate gift subject to a retained life estate. A life interest in real estate is a remainder interest in a personal residence where an individual irrevocably transfers title to the Foundation with a retained right to the use of the property for a term that is specified in the life estate agreement. The donor and the donor’s spouse are responsible for executory costs. At the conclusion of the measuring term, all rights in the property are transferred to the Foundation and it is used in accordance with the applicable gift instrument.

At the inception of real estate gift subject to a retained life estate, the Foundation recorded a contribution equal to the fair value of the property less the estimated discounted present value of the use interest. The Foundation records the amortization of the life estate interest, initially recorded as deferred revenue, as a change in value of split interest agreements in the statements of activities and changes in net assets based upon the life expectancy of the youngest donor.

**Long-Lived Assets** – The Foundation evaluates all long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value and is charged to expense in the period of impairment. As of June 30, 2021 and 2020, management has determined that these assets are not impaired.

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

**Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions. Included in net assets without donor restrictions, are board designated net assets totaling \$3,308,193 and \$3,242,548 as of June 30, 2021 and 2020, respectively. During 2019 the Board of Trustees approved the establishment of a \$3,000,000 operating reserve. During 2017, the Board of Trustees designated \$216,431 as a general endowment fund to support the palliative care program at the Overlook Division (see Note 7).

# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):

*Net Assets with Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity (see Note 6).

*Contributions* – The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or 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 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.

*Donated Rent* - During the years ended June 30, 2021 and 2020, the Foundation received donated office space with an estimated fair value of \$72,000. The amount reflected in the statements of activities and changes in net assets as donated rent income is offset by the same amount in occupancy expense. The value of this space is based on the square footage occupied by the Foundation at the estimated rental value per square foot.

*Grants Expense* – Grants are reported as an expense and a liability in the period when approved by the Board of Trustees and are expected to be paid within one year.

*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 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.

*Estimates and Uncertainties* - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from those estimates.

*Income Taxes* – The Foundation is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code ("IRC") and has made no provision for Federal or State income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of section 509(a) of the IRC. All significant tax positions have been considered by management and it has been determined that all tax positions would be sustained upon examination by taxing authorities. The Foundation is required to file form 990 (Return of Organization Exempt from Income Tax), which is subject to examination by the IRS, up to three years from the extended due date of the tax return. The forms 990 for 2018 through 2020 are open to examination by the IRS as of June 30, 2021.

# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (continued):

As a not-for-profit entity, the Foundation is subject to unrelated business income tax (“UBIT”), if applicable. For the tax year ended June 30, 2021 and 2020, the Foundation did not owe any UBIT.

**Reclassifications** - Certain prior period amounts have been reclassified to conform to the current year’s presentation. Such reclassifications did not impact the change in net assets.

**Recently Issued Accounting Pronouncements** - In September 2020, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2020-07, “Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)”, which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management is currently evaluating the impact of this ASU on the financial statements.

**Subsequent Events** - Management has reviewed and evaluated all events and transactions from June 30, 2021 through December 14, 2021, the date that the financial statements were available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the date of the statement of financial position have been recognized in the accompanying financial statements.

In early 2020, the worldwide coronavirus pandemic that causes COVID-19 spread to the United States and caused significant business disruption in the area in which the Foundation operates. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. The Foundation is closely monitoring its investment portfolio and liquidity and is actively working to minimize the impact of these declines. Given the uncertainty related to COVID-19, management cannot reasonably estimate the overall impact on the Foundation’s financial statements related to these matters.

### Note 2 - Liquidity and Availability:

Management regularly monitors the availability of resources required to meet its operating needs. 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). Financial assets available for general expense, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

	June 30,	
	2021	2020
Cash and equivalents	\$ 11,686,170	\$ 10,382,836
Investments	105,922,128	80,564,422
Gift annuity investments	2,982,281	2,604,923
Contributions receivable, net	<u>13,745,695</u>	<u>12,082,256</u>
Total financial assets	134,336,274	105,634,437
Less amounts not available to be used within one year:		
Gift annuity state reserves (Note 1)	(867,215)	(890,940)
Board-designated funds (Note 1)	(3,308,193)	(3,242,548)
Donor-restricted funds (Note 6)	<u>(111,783,978)</u>	<u>(91,848,212)</u>
Financial assets available for general expenditure within one year	<u>\$ 18,376,888</u>	<u>\$ 9,652,737</u>

# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 2 - Liquidity and Availability (continued):

In addition to financial assets available to meet general expenses over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses. If the need arises, the Foundation has a \$3,000,000 board-designated operating reserve and that can be made available for general expenditure if necessary.

### Note 3 - Investments at Fair Value - Recurring:

Fair Value Measurements and Disclosures FASB ASC 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

- Mutual funds, bond funds, money market funds and real estate funds: Valuations of mutual funds, bond funds, money market funds and real estate 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 (Level 2).
- Alternative investments: Such investments are valued utilizing the NAV provided by the underlying private investment companies and/or their administrators.

## OVERLOOK FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 3 - Investments at Fair Value – Recurring (continued):

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, 2021 and 2020.

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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

<i>Assets at Fair Value as of June 30, 2021</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments:				
Mutual funds	\$ 70,118,474	\$ -	\$ -	\$ 70,118,474
Bond funds	12,236,029	-	-	12,236,029
Money market funds	5,888,146			5,888,146
Real estate funds	2,186,852	-	-	2,186,852
	\$ 90,429,501	\$ -	\$ -	90,429,501
Alternative investments, measured at net asset value				15,492,627
				\$ 105,922,128
Investments - gift annuities:				
Mutual funds	\$ 2,982,281	\$ -	\$ -	\$ 2,982,281
Retained life estate	\$ -	\$ 749,403	\$ -	\$ 749,403
<i>Assets at Fair Value as of June 30, 2020</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Investments:				
Mutual funds	\$ 43,624,265	\$ -	\$ -	\$ 43,624,265
Bond funds	13,067,160	-	-	13,067,160
Money market funds	3,219,176			3,219,176
U.S. Treasury notes	-	8,070,949	-	8,070,949
	\$ 59,910,601	\$ 8,070,949	\$ -	67,981,550
Alternative investments, measured at net asset value				12,582,872
				\$ 80,564,422
Investments - gift annuities:				
Mutual funds	\$ 2,604,923	\$ -	\$ -	\$ 2,604,923
Retained life estate	\$ -	\$ 689,045	\$ -	\$ 689,045

# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - Investments at Fair Value – Recurring (continued):

**Transfers Between Levels** - The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in the economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2021 and 2020, there were no significant transfers in or out of Levels 1, 2, or 3.

Alternative Investments/Dates	Strategy	Fair Value 6/30/21	Fair Value 6/30/20	Unfunded Commitment 6/30/21	Redemption Terms and Restrictions
<b>P L Capital Group Financial Edge Fund</b> (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	\$ 7,171,241	\$ 4,239,572		N/A Distributions at the discretion of the general partner but generally only upon 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.
<b>Angelo Gordon Growth Capital Partners I</b> (12/2007)	Investment in distressed middle-market companies and out-of-mainstream deep-value opportunities.	460,032	264,472	-	Investment term of 7 to 10 years from December 2008. Payout after the closure of the fund. The fund ceased charging management fees on 12.31.20220. Performance fees will still apply. FY2022 is target for final distributions.
<b>Angelo Gordon Net Lease Realty Fund III</b> (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	955,377	944,262	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.
<b>Angelo Gordon Europe Holdings</b> (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.	774,670	846,941	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.
<b>Angelo Gordon Europe Realty Holdings Fund III</b> (4/2020)	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.	378,303	256,996	1,610,000	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.

# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - Investments at Fair Value – Recurring (continued):

Alternative Investments/Dates	Strategy	Fair Value 6/30/21	Fair Value 6/30/20	Unfunded Commitment 6/30/21	Redemption Terms and Restrictions
<b>GS Mt. Kellett Capital Partners Access (8/2008)</b>	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.	15,175	32,508	43,900	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.
<b>GS Private Equity Partners IX Offshore (5/2011 secondary purchase of position)</b>	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.	181,606	218,910	115,897	Through the later of December 16, 2016, or one year after liquidation of fund holdings. Redemption upon fund closure.
<b>GS Perry Private Opportunities Access Offshore Holdings (4/2012 secondary purchase of position)</b>	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	-	Distribution within one year after the liquidation of all assets or at the discretion of the general partner. The fund ceased on 12/31/2019. Last distribution was on 6/25/2020.
<b>GS Energy Private Equity Managers (Concentrated) Offshore (7/2012 secondary purchase of position)</b>	Pooled/direct investments in oil, gas, and coal exploration; pipelines, refining facilities; and energy/power distribution and transmission.	49,750	63,341	19,584	Distribution within one year of the close of the fund or at partner's discretion. Fund to close later of December 31, 2016 or one year after liquidation of the fund's investments.
<b>GS Mezzanine Partners 2006 Offshore (6/2011 secondary purchase of position)</b>	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.	13,861	12,883	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.
<b>GS Anchorage Illiquid Opportunities IV Access (1/2014)</b>	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.	281,765	764,124	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.



# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### Note 3 - Investments at Fair Value – Recurring (continued):

Alternative Investments/Dates	Strategy	Fair Value 6/30/21	Fair Value 6/30/20	Unfunded Commitment 6/30/21	Redemption Terms and Restrictions
<b>GS Private Equity Co-Investment Partners Offshore</b> (3/2015)	Long-term compound 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.	1,315,748	1,236,660	90,157	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.
<b>GS Thomas H. Lee Equity VI Access Offshore LP</b> (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.	2,567	76,755	63,809	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.
<b>Olympus Partners Growth Fund VI</b> (3/2013)	Control middle-market leveraged buyouts or minority ownership financing in fundamentally sound businesses with potential for growth or operational improvement	867,843	731,949	129,684	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.
<b>Partners Group Real Estate Secondary 2017</b> (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	1,004,543	825,121	658,575	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.
<b>Avenue Aviation Opportunities Fund LP</b> (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	241,527	267,330	-	The term of Aviation Fund I was previously set to end on December 31, 2019, when the fund utilized the GP's two additional one-year periods to December 31, 2022. After this, the fund has the option to extend for up to two additional one-year periods if agreed to by a majority in interest of the limited partners.

**OVERLOOK FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**Note 3 - Investments at Fair Value – Recurring (continued):**

Alternative Investments/Dates	Strategy	Fair Value 6/30/21	Fair Value 6/30/20	Unfunded Commitment 6/30/21	Redemption Terms and Restrictions
<b>Avenue Aviation Opportunities Fund II (Offshore) LP</b> (12/2017 primary purchase)	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	1,776,952	1,784,919	-	Fund to end on the eleventh 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 8% cumulative compounded annual rate of return on the unreturned portion until the end of the fund.
<b>Excelsior Holdings</b> (limited partnership via bequest)	Long-term capital gains through real estate holdings.	1,667	1,667	N/A	Final partnership holdings have been sold. Partnership released the final escrow payment on 7/13/2021.
<b>TOTAL</b>		<b>\$ 15,492,627</b>	<b>\$ 12,582,872</b>	<b>\$ 3,424,419</b>	

**Note 4 – Contributions Receivable, Net:**

Contributions 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 3.9% and are as follows:

	June 30,	
	2021	2020
Less than one year	\$ 5,745,059	\$ 4,984,500
One to five years	9,635,868	8,633,796
After five years	<u>468,437</u>	<u>650,000</u>
	15,849,364	14,268,296
Less:		
Unamortized discount	(523,169)	(605,540)
Allowance for doubtful accounts	<u>(1,580,500)</u>	<u>(1,580,500)</u>
Present value of pledges receivable	<u>\$ 13,745,695</u>	<u>\$ 12,082,256</u>

**Note 5 - Related Party Transactions:**

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 supplies. In addition, the Foundation reimburses the Overlook Division for expenses incurred that meet specific donor guidelines. As of June 30, 2021 and 2020, the Foundation owed Overlook Division for the following:

## OVERLOOK FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 5 - Related Party Transactions (continued):

	June 30,	
	2021	2020
Accounts payable and accrued expenses	\$ 197,856	\$ 260,378
Grants payable	32,715	44,868
Due to affiliate (non-interest bearing)	4,155,527	4,324,755
	\$ 4,386,098	\$ 4,630,001

#### Note 6 - Net Assets with Donor Restrictions:

Net assets with donor restrictions represent contributions received and income related to the following:

	June 30,	
	2021	2020
Subject to specified purpose:		
Research	\$ 407,699	\$ 572,282
Scholarship and education	819,792	794,814
Construction and equipment	31,452,705	23,276,408
Program support services	6,821,937	9,271,299
	39,502,133	33,914,803
Subject to the passage of time:		
Pledges receivable not restricted by donors but unavailable for expenditure until due	554,595	498,042
Life interest in real estate	647,546	587,044
Gift annuities	673,872	538,802
	1,876,013	1,623,888
 Total time and purpose restricted	 41,378,146	 35,538,691
Endowments (see Note 7):		
Subject to endowment spending policy and appropriation:		
Research grants	10,815	8,145
Scholarship and education	9,070,741	6,179,874
Construction and equipment	2,528,430	1,695,220
Program support services	25,868,482	16,253,743
Family service association	1,360,467	940,582
	38,838,935	25,077,564
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
Research grants	1,720	1,720
Scholarship and education	5,084,555	5,064,193
Construction and equipment	2,042,522	2,042,358
Program support services	23,770,535	23,456,559
Family service association	667,565	667,127
	31,566,897	31,231,957
 Endowment subtotal	 70,405,832	 56,309,521
 Total net assets with donor restrictions	 \$ 111,783,978	 \$ 91,848,212

# OVERLOOK FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### **Note 7 - Endowment Funds:**

The Foundation's endowment includes both donor-restricted endowments and endowment funds designated by the Board of Trustees to support the palliative care program at the Overlook Division (see Note 1). 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.

#### ***Interpretation of Relevant Law***

The Board of Trustees of the Foundation has interpreted the New Jersey 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 perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) original gift of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted net assets is classified as purpose 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 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 endowment fund;
- (2) The purposes of the Foundation and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation;
- (7) and the investment policy of the Foundation

#### ***Investment Objectives***

The Foundation has adopted an investment policy that primarily emphasizes the preservation of the capital and secondarily maximizes the total return. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Foundation.

#### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term objectives, the Foundation will ensure appropriate diversification to marketable equity securities. The target investment allocation is 58% equities, 27% fixed income securities, 10% private equity and 5% cash.

**OVERLOOK FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**Note 7 - Endowment Funds (continued):**

*Spending Policy*

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 donor restricted net assets, net of outstanding pledges, multiplied by the approved spending rate. The spending rate adopted for fiscal years 2021 and 2020 was 4.25%.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted NJUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2021 and 2020, there were no underwater endowments.

*Changes in Endowment Net Assets*

	June 30, 2021		
	With Donor		
	Board-Designated	Restriction	Total
Endowment net assets, beginning of year	\$ 242,548	\$ 56,309,521	\$ 56,552,069
Contributions	-	334,940	334,940
Investment return, net	65,645	15,478,139	15,543,784
Appropriation for expenditure	-	(1,716,768)	(1,716,768)
Endowment net assets, end of year	\$ 308,193	\$ 70,405,832	\$ 70,714,025
	June 30, 2020		
	With Donor		
	Board-Designated	Restriction	Total
Endowment net assets, beginning of year	\$ 249,575	\$ 59,471,601	\$ 59,721,176
Contributions	-	140,583	140,583
Investment return, net	(7,027)	(1,422,046)	(1,429,073)
Appropriation for expenditure	-	(1,880,617)	(1,880,617)
Endowment net assets, end of year	\$ 242,548	\$ 56,309,521	\$ 56,552,069

**Note 8 - 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.

## OVERLOOK FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### **Note 8 - Pension plan (continued):**

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.