

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Johnston Memorial Hospital Foundation
Smithfield, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Johnston Memorial Hospital Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



CliftonLarsonAllen LLP

Raleigh, North Carolina
February 7, 2024

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,449,572	\$ 1,009,834
Promises to Give, Net	173,145	16,490
Other Assets	900	1,800
Total Current Assets	1,623,617	1,028,124
OTHER ASSETS		
Promises to Give, Net	13,914	19,126
Investments	1,213,160	1,171,503
Board-Designated Endowment	51,508	40,072
Beneficial Interests in Assets Held by Community Foundation	222,000	210,498
Total Other Assets	1,500,582	1,441,199
Total Assets	\$ 3,124,199	\$ 2,469,323
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 91,881	\$ 52,670
Accrued Expenses	-	3,693
Deferred Revenue	77,185	113,413
Total Current Liabilities	169,066	169,776
NET ASSETS		
Without Donor Restrictions:		
Undesignated	865,930	696,294
Designated by the Board for Patient Assistant Fund	15,293	-
With Donor Restrictions	2,073,910	1,603,253
Total Net Assets	2,955,133	2,299,547
Total Liabilities and Net Assets	\$ 3,124,199	\$ 2,469,323

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 212,093	\$ 728,089	\$ 940,182
Gifts In-Kind	376,017	2,304	378,321
Investment Income	37,037	8,056	45,093
Realized Loss on Investments	(100,148)	(8,977)	(109,125)
Unrealized Gain on Investments	121,774	27,496	149,270
Special Events	45,797	-	45,797
Grant Income	-	435,778	435,778
Other Income	6,560	-	6,560
Net Assets Released from Restrictions	722,089	(722,089)	-
Total Revenue, Support, and Gains	<u>1,421,219</u>	<u>470,657</u>	<u>1,891,876</u>
EXPENSES AND LOSSES			
Program Services	785,325	-	785,325
Management and General	316,664	-	316,664
Fundraising	134,301	-	134,301
Total Expenses and Losses	<u>1,236,290</u>	<u>-</u>	<u>1,236,290</u>
CHANGE IN NET ASSETS	184,929	470,657	655,586
Net Assets - Beginning of Year	<u>696,294</u>	<u>1,603,253</u>	<u>2,299,547</u>
NET ASSETS - END OF YEAR	<u>\$ 881,223</u>	<u>\$ 2,073,910</u>	<u>\$ 2,955,133</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 161,141	\$ 413,457	\$ 574,598
Gifts In-Kind	325,066	3,262	328,328
Investment Income	15,486	2,877	18,363
Realized Gain on Investments	34,008	14,407	48,415
Unrealized Loss on Investments	(191,317)	(56,238)	(247,555)
Special Events	9,270	-	9,270
Other Income	5,681	1,337	7,018
Net Assets Released from Restrictions	667,098	(667,098)	-
Total Revenue, Support, and Gains	<u>1,026,433</u>	<u>(287,996)</u>	<u>738,437</u>
EXPENSES AND LOSSES			
Program Services	851,436	-	851,436
Management and General	86,692	-	86,692
Fundraising	146,894	-	146,894
Total Expenses and Losses	<u>1,085,022</u>	<u>-</u>	<u>1,085,022</u>
CHANGE IN NET ASSETS	(58,589)	(287,996)	(346,585)
Net Assets - Beginning of Year	<u>754,883</u>	<u>1,891,249</u>	<u>2,646,132</u>
NET ASSETS - END OF YEAR	<u>\$ 696,294</u>	<u>\$ 1,603,253</u>	<u>\$ 2,299,547</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	Program Services	Management and General	Fundraising	Total
Golf Tournament	\$ -	\$ -	\$ 13,466	\$ 13,466
Champions Race (Including \$200 In-Kind)	-	-	7,524	7,524
Portofino Derby (Including \$36,471 In-Kind)	-	-	91,965	91,965
Tree of Light (Including \$300 In-Kind)	-	-	6,697	6,697
We Care We Share (Including \$2,310 In-Kind)	-	-	4,551	4,551
Buy a Brick/Memorial Wall Campaign	-	-	485	485
All-in-Red Campaign	-	-	675	675
Festival of Trees	-	-	8,048	8,048
HK Sessions and Miscellaneous	88,780	-	-	88,780
Hospice House 30% Charity Care	93,878	-	-	93,878
Funds Released-JH (Including \$1,725 In-Kind)	45,283	-	-	45,283
Gas Cards	875	-	-	875
Medical	103,003	-	-	103,003
Transportation	631	-	-	631
Project Access	322,469	-	-	322,469
Community Outreach Fund	37,025	-	-	37,025
Other (Including \$579 In-Kind)	51,067	-	-	51,067
Accounting Fees	-	23,132	-	23,132
In-Kind Salaries and Benefits	42,314	266,351	890	309,555
In-Kind Departmental Expenses	-	27,181	-	27,181
	<u>-</u>	<u>27,181</u>	<u>-</u>	<u>27,181</u>
Total Expenses by Function	<u><u>\$ 785,325</u></u>	<u><u>\$ 316,664</u></u>	<u><u>\$ 134,301</u></u>	<u><u>\$ 1,236,290</u></u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Golf Tournament	\$ -	\$ -	\$ 8,410	\$ 8,410
Champions Race	-	-	675	675
Lights of Joy (Including \$10,298 In-Kind)	-	-	23,409	23,409
Tree of Light	-	-	3,571	3,571
Buy a Brick/Memorial Wall Campaign	-	-	1,035	1,035
All-in-Red Campaign	-	-	6,189	6,189
Festival of Trees	-	-	352	352
HK Sessions and Miscellaneous	20,933	-	-	20,933
Hospice House 30% Charity Care	108,597	-	-	108,597
Funds Released-JH	496,870	-	-	496,870
Gas Cards	500	-	-	500
Medical	70,544	-	-	70,544
Transportation	1,217	-	-	1,217
Other (Including \$5,259 In-Kind)	10,687	-	-	10,687
Accounting Fees	-	19,262	-	19,262
In-Kind Salaries and Benefits	142,088	45,844	103,253	291,185
In-Kind Departmental Expenses	-	21,586	-	21,586
	<u>-</u>	<u>21,586</u>	<u>-</u>	<u>21,586</u>
 Total Expenses by Function	 <u>\$ 851,436</u>	 <u>\$ 86,692</u>	 <u>\$ 146,894</u>	 <u>\$ 1,085,022</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 655,586	\$ (346,585)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized (Gain) Loss on Investments, Net	(149,270)	247,555
Realized (Gain) Loss on Investments, Net	109,125	(48,415)
Investment Income	(45,093)	(18,363)
Change in Operating Assets and Liabilities:		
Promises to Give, Net	(151,443)	12,374
Prepaid Expenses	900	-
Accounts Payable	39,211	28,279
Accrued Expenses	(3,693)	3,693
Deferred Revenue	(36,228)	113,413
Net Cash Provided (Used) by Operating Activities	419,095	(8,049)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	20,643	-
Purchase of Investments	-	(426,267)
Net Cash Provided (Used) by Investing Activities	20,643	(426,267)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	439,738	(434,316)
Cash and Cash Equivalents - Beginning of Year	1,009,834	1,444,150
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,449,572	\$ 1,009,834

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Basis of Presentation

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

Estimates

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

Cash and Cash Equivalents

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

As of June 30, 2023 and 2022, the Foundation had approximately \$1,836,000 and \$1,565,000, respectively, of cash and cash equivalents and investments which are restricted by third-party donors or board-designated restrictions.

Promises to Give

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

Investments

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

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Assets Held by Community Foundation

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

Net Assets

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

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

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

Revenue Recognition

The Foundation follows Financial Accounting Standards Board Accounting Standards Codification (ASU) No. 2014-09, *Revenues from Contracts with Customers (Topic 606)*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Foundation also follows ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting.

Contributions

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

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and In-Kind Contributions

The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU 2020-07), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires enhancements to presentation and disclosure around contributed nonfinancial assets. This standard did not affect the recognition of these transactions.

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Donated services are recognized contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. All donated services and donated good were utilized by the Foundation's program services, administration, and fundraising and development activities. There were no donor-imposed restrictions associated with the donated services and donated goods. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the fair values of the services received. Contributions were received as in-kind salaries and benefits, and other departmental expenses from UNC Health Johnston (See Note 9), and other in-kind amounts from various other donors, including advertising and professional services.

The fair values of in-kind contributions are recorded at their fair value on the date of contribution. Fair value is 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. For donated items, fair value may be determined based on the estimated retail value of the item or similar items in the market. For donated services, fair value may be determined based on the cost of paying for similar services in the same or similar market.

Donated goods and services for the fiscal years ended June 30, 2023 and 2022, included in the financial statements, consisted of the following:

	2023	2022
In-Kind Salaries and Benefits	\$ 309,555	\$ 291,185
Professional Services	23,202	6,726
Food products	1,277	1,619
Advertising	14,875	4,558
In-Kind Departmental Expenses	27,181	21,980
Other Donated Items	2,231	2,260
Total	\$ 378,321	\$ 328,328

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Uniform Prudent Management of Institutional Funds Act

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

Income Taxes

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

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

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management has determined that the adoption of Topic 842 did not have material impact on the financial statements as of and for the year ended June 30, 2023.

The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating in the statement of financial position. Finance leases are included in ROU assets –financing and lease liability – financing in the statement of financial position.

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position. The Foundation has determined that there were no material ROU assets and liabilities as of June 30, 2023.

Subsequent Events

The Foundation has evaluated subsequent events through February 7, 2024, the date the financial statements were available to be issued.

NOTE 2 REVENUES

Contributions and Special Events

To determine revenue recognition for the arrangements that the Foundation determines are within the scope of Topic 606, *Revenue from Contracts with Customers*, the Foundation performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when the Foundation satisfies a performance obligation.

Performance obligations are determined based on the nature of the services provided by the Foundation. Revenue that consists of performance obligations satisfied at a point in time is generally recognized when criteria for the contract have been achieved, or when specific events have occurred, and when there are no additional services related to that obligation.

Special event revenue is comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total cost to attend the event and the exchange element. The Foundation recognizes the exchange portion of the cost to attend the event at the time the event takes place and the contribution portion immediately. Revenue recognized from special events totaled approximately \$45,800 (exchange element) which is included in the special events line of the statement of activities and \$231,500 (contribution element) which is included in the contributions line of the statement of activities for the year ended June 30, 2023. Revenue recognized from special events totaled approximately \$9,300 (exchange element), which is included in the special events line of the statement of activities and \$287,000 (contribution element) which is included in the contributions of the statement of activities for the year ended June 30, 2022.

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 REVENUES (CONTINUED)

Contributions and Special Events (Continued)

The Foundation recognizes contributions 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 met. Revenue recognized from contributions, including those from special events totaled, approximately \$940,000 and \$575,000 for the years ended June 30, 2023 and 2022, respectively.

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

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

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

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

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

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

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

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table presents assets measured at fair value on a recurring basis at June 30, 2023:

ASSETS	Fair Value Measurements at Report Date Using			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Obligations	\$ 59,183	\$ 59,183	\$ -	\$ -
Mutual, Index, and Bond Funds	1,153,977	1,153,977	-	-
Total	\$ 1,213,160	\$ 1,213,160	\$ -	\$ -
Board-Designated Endowment:				
U.S. Government Obligations	\$ 1,269	\$ 1,269	\$ -	\$ -
Mutual, Index, and Bond Funds	50,239	50,239	-	-
Total	\$ 51,508	\$ 51,508	\$ -	\$ -
Beneficial Interests in Assets Held by North Carolina Community Foundation	\$ 222,000	\$ -	\$ -	\$ 222,000

The following table presents assets measured at fair value on a recurring basis at June 30, 2022:

ASSETS	Fair Value Measurements at Report Date Using			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Obligations	\$ 54,298	\$ 54,298	\$ -	\$ -
Mutual, Index, and Bond Funds	1,117,205	1,117,205	-	-
Total	\$ 1,171,503	\$ 1,171,503	\$ -	\$ -
Board-Designated Endowment:				
U.S. Government Obligations	\$ 1,017	\$ 1,017	\$ -	\$ -
Mutual, Index, and Bond Funds	39,055	39,055	-	-
Total	\$ 40,072	\$ 40,072	\$ -	\$ -
Beneficial Interests in Assets Held by North Carolina Community Foundation:	\$ 210,498	\$ -	\$ -	\$ 210,498

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Balance, Beginning of the Year	\$ 210,498	\$ 263,472
Net Realized and Unrealized Gain (Loss)	20,668	(43,916)
Purchases, Sales, Issuances and Settlements (Net)	<u>(9,166)</u>	<u>(9,058)</u>
Balance, End of the Year	<u><u>\$ 222,000</u></u>	<u><u>\$ 210,498</u></u>

The fair value of the beneficial interest in assets held by the North Carolina Community Foundation (NCCF) is based on the fair value of fund investments as reported by the NCCF. These are considered to be Level 3 measurements. There were no transfers in and out of Level 3 investments during the years ended June 30, 2023 and 2022.

NOTE 4 NET INVESTMENT RETURN

Net investment return consists of the following for the year ended June 30, 2023:

	<u>Investments</u>	<u>Board Designated Endowment</u>	<u>Beneficial Interests in Assets Held by Community Foundation</u>	<u>Total</u>
Interest and Dividends	\$ 47,177	\$ 1,000	\$ 4,590	\$ 52,767
Net Realized and Unrealized Gains	15,401	4,076	20,668	40,145
Less: Investment Management and Custodial Fees	<u>(5,382)</u>	<u>(155)</u>	<u>(2,137)</u>	<u>(7,674)</u>
Total Investments	<u><u>\$ 57,196</u></u>	<u><u>\$ 4,921</u></u>	<u><u>\$ 23,121</u></u>	<u><u>\$ 85,238</u></u>

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 4 NET INVESTMENT RETURN (CONTINUED)

Net investment return consists of the following for the year ended June 30, 2022:

	Investments	Board Designated Endowment	Beneficial Interests in Assets Held by Community Foundation	Total
Interest and Dividends Net Realized and Unrealized Gains	\$ 19,466	\$ 791	\$ 4,742	\$ 24,999
Less: Investment Management and Custodial Fees	(146,781)	(8,443)	(43,916)	(199,140)
	<u>(3,952)</u>	<u>(154)</u>	<u>(2,530)</u>	<u>(6,636)</u>
Total Investments	<u>\$ (131,267)</u>	<u>\$ (7,806)</u>	<u>\$ (41,704)</u>	<u>\$ (180,777)</u>

NOTE 5 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2023 and 2022:

	2023	2022
Within One Year	\$ 178,500	\$ 17,000
In One to Five Years	16,500	21,000
Total	<u>195,000</u>	<u>38,000</u>
Less: Discount to Present Value (2.90% to 3.86%)	(2,091)	(1,244)
Less: Allowance for Uncollectible Promises to Give	<u>(5,850)</u>	<u>(1,140)</u>
Total	<u>\$ 187,059</u>	<u>\$ 35,616</u>

NOTE 6 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Foundation has an endowment fund held in trust by the NCCF. Income from the endowment fund is available to be distributed annually for the general operating support of the Foundation. While the stated intention of the agreement is for the principal to remain undistributed, the principal may be distributed at the Foundation's discretion. As of June 30, 2023 and 2022, this fund had a value of approximately \$222,000 and \$210,000, respectively.

JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 7 ENDOWMENTS

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

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

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

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

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 ENDOWMENTS (CONTINUED)

Endowment net assets composition by type of fund was as follows at June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-Designated Endowment	<u>\$ 51,508</u>	<u>\$ -</u>	<u>\$ 51,508</u>

Endowment net assets composition by type of fund was as follows at June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-Designated Endowment	<u>\$ 40,072</u>	<u>\$ -</u>	<u>\$ 40,072</u>

The change in endowment net assets for the year ended June 30, 2023, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 40,072	\$ -	\$ 40,072
Investment Return:			
Investment Income, Net of Fees	845	-	845
Net Realized and Unrealized Gain	4,076	-	4,076
Contributions	<u>6,515</u>	<u>-</u>	<u>6,515</u>
Endowment Net Assets, End of Year	<u>\$ 51,508</u>	<u>\$ -</u>	<u>\$ 51,508</u>

The change in endowment net assets for the year ended June 30, 2022, is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 41,128	\$ -	\$ 41,128
Investment Return:			
Investment Income, Net of Fees	637	-	637
Net Realized and Unrealized Loss	(8,443)	-	(8,443)
Contributions	<u>6,750</u>	<u>-</u>	<u>6,750</u>
Endowment Net Assets, End of Year	<u>\$ 40,072</u>	<u>\$ -</u>	<u>\$ 40,072</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund or perpetual donation. No deficiencies of this nature exist at June 30, 2023 or 2022.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 ENDOWMENTS (CONTINUED)

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

Endowment Fund Not Included in Foundation's Financial Statements

In 2003, an outside party created the Cara Lee Powell Priest Endowment Fund with the NCCF. Because the NCCF has variance power, this fund is not recorded on the Foundation's financial statements. The fund is a permanent endowment with only the net income of the fund being distributed to the Foundation for general operations. During both the years ended June 30, 2023 and 2022, the Foundation received distributions of approximately \$6,000 from this fund.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specific Purpose:		
Angel Fund	\$ 431,478	\$ 417,205
Patient Assistance Fund	77,389	59,314
Hospice House Capital Fund	273,584	270,452
Healthy Kids Space	402,684	118,842
Healthy Kids Fund	90,906	132,454
Home Care and Hospice Fund	233,979	266,549
Heart Fund	121,530	125,983
Community Outreach Fund	171,078	174,454
Employee Assistance	5,640	-
Project Access	70,642	-
Total	<u>1,878,910</u>	<u>1,565,253</u>
Subject to Passage of Time:		
Project Access	100,000	-
Heart Fund	19,000	20,000
General Fund (Other Promises to Give)	76,000	18,000
Total	<u>195,000</u>	<u>38,000</u>
 Total Net Assets with Donor Restrictions	 <u><u>\$ 2,073,910</u></u>	 <u><u>\$ 1,603,253</u></u>

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>2023</u>	<u>2022</u>
Expiration of Time Restrictions	\$ 12,000	\$ 6,050
Satisfaction of Purpose Restrictions:		
Angel Fund	2,846	2,981
Patient Assistance Fund	-	34,522
Hospice House Capital Fund	2,422	39,911
Healthy Kids Fund	44,323	21,120
Healthy Kids Space	51,987	3,843
Project Access	325,844	-
Home Care and Hospice Fund	210,409	129,426
Heart Fund	24,164	61,095
Community Outreach Fund	48,094	368,150
Total	<u>710,089</u>	<u>661,048</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 722,089</u>	<u>\$ 667,098</u>

NOTE 9 RELATED PARTIES

The Foundation received donated salaries and benefits and advertising services from UNC Health Johnston. Donated salaries and benefits approximated \$310,000 and \$291,000 and donated departmental services of approximately \$27,000 and \$22,000 for the years ended June 30, 2023 and 2022, respectively, and are included in Gifts In-Kind within the statements of activities.

The Foundation paid approximately \$45,000 and \$497,000 to UNC Health Johnston during the years ended June 30, 2023 and 2022, respectively, which are included in Program Services within the statements of activities.

At June 30, 2023 and 2022, the Foundation had amounts due to UNC Health Johnston of approximately \$92,000 and \$53,000, respectively, which are included in Accounts Payable within the accompanying statements of financial position.

The Foundation has a Promise to Give of \$6,000 and \$18,000 due from an organization affiliated with a member of the board of directors at June 30, 2023 and 2022, respectively.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 CONCENTRATION OF CREDIT RISK

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

NOTE 11 LIQUIDITY AND AVAILABILITY

As part of the Foundation's liquidity management, it invests cash in excess of daily requirements in an investment account with a financial institution. Additionally, the Foundation has an endowment established by the board of approximately \$51,500. Although the Foundation does not intend to spend from its investments and endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, these amounts could be made available if necessary.

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

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 1,449,572	\$ 1,009,834
Promises to Give, Net - Current	173,145	16,490
Board-Designated Endowment	51,508	40,072
Other Investments Appropriated for Use	<u>1,213,160</u>	<u>1,171,503</u>
Subtotal	2,887,385	2,237,899
Less: Net Assets With Donor Restrictions	<u>(2,073,910)</u>	<u>(1,603,253)</u>
Total Assets Available	<u><u>\$ 813,475</u></u>	<u><u>\$ 634,646</u></u>