

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Johnston Memorial Hospital Foundation  
Smithfield, North Carolina

We have audited the accompanying financial statements of Johnston Memorial Hospital Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

Board of Directors  
Johnston Memorial Hospital Foundation

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Raleigh, North Carolina  
October 15, 2021

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,444,150	\$ 851,308
Promises to Give	37,135	45,897
Other Assets	1,800	2,995
Total Current Assets	1,483,085	900,200
<b>OTHER ASSETS</b>		
Promises to Give, Net	10,855	15,737
Investments	871,983	837,195
Board-Designated Endowment	41,128	31,717
Beneficial Interests in Assets Held by Community Foundation	263,472	208,700
Total Other Assets	1,187,438	1,093,349
Total Assets	\$ 2,670,523	\$ 1,993,549
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 24,391	\$ 19,830
Deferred Revenue	-	3,300
Total Current Liabilities	24,391	23,130
<b>NET ASSETS</b>		
Without Donor Restrictions	754,883	620,128
With Donor Restrictions	1,891,249	1,350,291
Total Net Assets	2,646,132	1,970,419
Total Liabilities and Net Assets	\$ 2,670,523	\$ 1,993,549

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 67,530	\$ 791,891	\$ 859,421
Gifts In-Kind	323,384	1,201	324,585
Investment Income	12,694	2,125	14,819
Realized Gain on Sale of Investments	37,958	8,231	46,189
Unrealized Gain on Investments	60,877	35,407	96,284
Special Events	16,478	8,866	25,344
Other Income	6,230	-	6,230
Net Assets Released from Restrictions	306,763	(306,763)	-
Total Revenue, Support, and Gains	<u>831,914</u>	<u>540,958</u>	<u>1,372,872</u>
<b>EXPENSES AND LOSSES</b>			
Program Services	470,681	-	470,681
Management and General	96,894	-	96,894
Fundraising	129,584	-	129,584
Total Expenses and Losses	<u>697,159</u>	<u>-</u>	<u>697,159</u>
<b>CHANGE IN NET ASSETS</b>	134,755	540,958	675,713
Net Assets - Beginning of Year	<u>620,128</u>	<u>1,350,291</u>	<u>1,970,419</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 754,883</u>	<u>\$ 1,891,249</u>	<u>\$ 2,646,132</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Contributions	\$ 173,091	\$ 520,530	\$ 693,621
Gifts In-Kind	312,089	13,306	325,395
Investment Income	9,718	9,631	19,349
Realized Loss on Sale of Investments	(3,829)	(1,663)	(5,492)
Unrealized Gain on Investments	19,939	12,413	32,352
Special Events	3,457	9,408	12,865
Other Income	6,360	-	6,360
Net Assets Released from Restrictions	623,506	(623,506)	-
Total Revenue, Support, and Gains	1,144,331	(59,881)	1,084,450
<b>EXPENSES AND LOSSES</b>			
Program Services	733,286	-	733,286
Management and General	90,171	-	90,171
Fundraising	132,631	-	132,631
Total Expenses and Losses	956,088	-	956,088
<b>CHANGE IN NET ASSETS</b>	188,243	(59,881)	128,362
Net Assets - Beginning of Year	431,885	1,410,172	1,842,057
<b>NET ASSETS - END OF YEAR</b>	\$ 620,128	\$ 1,350,291	\$ 1,970,419

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Golf Tournament (Including \$515 In-Kind)	\$ -	\$ -	\$ 9,549	\$ 9,549
Champions Race	-	-	13,577	13,577
Tree of Light	-	-	2,187	2,187
Buy a Brick Campaign	-	-	600	600
Buy a Memorial Wall Campaign	-	-	158	158
We Care We Share	-	-	272	272
All-in-Red Campaign	-	-	2,931	2,931
Festival of Trees	-	-	732	732
HK Sessions and Miscellaneous	8,600	-	-	8,600
Hospice House 30% Charity Care	97,567	-	-	97,567
COVID-Related Expenses	45,888	-	-	45,888
Funds Released-JH (Including \$18,477 In-Kind)	102,182	-	-	102,182
Patient and Family Needs	10,343	-	-	10,343
Gas Cards	100	-	-	100
Medical	70,799	-	-	70,799
Transportation	5,330	-	-	5,330
Other	3,071	-	-	3,071
Accounting Fees	-	17,680	-	17,680
In-Kind Salaries and Benefits	126,801	52,265	99,578	278,644
In-Kind Departmental Expenses	-	26,949	-	26,949
	<u>\$ 470,681</u>	<u>\$ 96,894</u>	<u>\$ 129,584</u>	<u>\$ 697,159</u>
Total Expenses by Function				

See accompanying Notes to Financial Statements.



**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Golf Tournament (Including \$240 In-Kind)	\$ -	\$ -	\$ 8,979	\$ 8,979
Social Event	-	-	4,195	4,195
Champions Race (Including \$2,650 In-Kind)	-	-	10,760	10,760
Tree of Light	-	-	911	911
Buy a Brick Campaign	-	-	872	872
Portofino Derby (Including \$6,420 In-Kind)	-	-	12,218	12,218
Gobble Waddle Event (Including \$2,808 In-Kind)	-	-	8,838	8,838
We Care We Share (Including \$1,604 In-Kind)	-	-	1,604	1,604
HK Sessions and Miscellaneous	8,624	-	-	8,624
Hospice House 30% Charity Care	92,912	-	-	92,912
Funds Released-JH (Including \$29,615 In-Kind)	433,547	-	-	433,547
Gas Cards	4,410	-	-	4,410
Medical	55,309	-	-	55,309
Transportation	825	-	-	825
Other	12,361	-	-	12,361
Accounting Fees	-	17,665	-	17,665
In-Kind Salaries and Benefits	125,298	44,215	84,254	253,767
In-Kind Departmental Expenses	-	28,291	-	28,291
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses by Function	<u>\$ 733,286</u>	<u>\$ 90,171</u>	<u>\$ 132,631</u>	<u>\$ 956,088</u>

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 675,713	\$ 128,362
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gain on Investments, Net	(95,817)	(32,352)
Realized (Gain) Loss on Investments, Net	(46,189)	5,492
Investment Income	(13,548)	(19,349)
Change in Operating Assets and Liabilities:		
Promises to Give, Net	13,644	50,314
Prepaid Expenses	1,195	-
Accounts Payable	4,561	16,112
Deferred Revenue	(3,300)	3,300
Net Cash Provided by Operating Activities	536,259	151,879
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the Sale of Investments	61,252	393,200
Purchase of Investments	(4,669)	(294,379)
Net Cash Provided by Investing Activities	56,583	98,821
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	592,842	250,700
Cash and Cash Equivalents - Beginning of Year	851,308	600,608
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,444,150	\$ 851,308

See accompanying Notes to Financial Statements.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 Johnston Health in Johnston County, North Carolina, and surrounding areas.

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

**Basis of Presentation**

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

**Estimates**

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

**Cash and Cash Equivalents**

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

As of June 30, 2021 and 2020, the Foundation had approximately \$1,911,000 and \$1,356,000, 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, 2021 AND 2020**

**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, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the fair values of the services received. Contributions were received as in-kind advertising, salaries and benefits, and other departmental expenses from Johnston Health (See Note 9), and other in-kind amounts from various other donors.

**Functional Allocation of Expenses**

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

**Uniform Prudent Management of Institutional Funds Act**

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

**Income Taxes**

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

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

**Reclassifications**

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation with impact to previously reported total net assets.

**Subsequent Events**

The Foundation has evaluated subsequent events through October 15, 2021, the date the financial statements were available to be issued.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**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 \$9,200 (exchange element) which is included in the special events line of the statement of activities and \$217,000 (contribution element) which is included in the contributions line, respectively, of the statement of activities for the year ended June 30, 2021. Revenue recognized from special events totaled approximately \$34,000 (exchange element), which is included in the special events line of the statement of activities and \$157,000 (contribution element) of which approximately \$145,000 and \$12,000 is included in the contributions and gifts in-kind lines, respectively, of the statement of activities for the year ended June 30, 2020.

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 \$859,000 and \$694,000 for the years ended June 30, 2021 and 2020, 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.

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

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.

The following table presents assets measured at fair value on a recurring basis at June 30, 2021:

<b>ASSETS</b>	<u>Fair Value Measurements at Report Date Using</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. Government Obligations	\$ 85,647	\$ 85,647	\$ -	\$ -
Mutual, Index, and Bond Funds	786,336	786,336	-	-
Total	<u>\$ 871,983</u>	<u>\$ 871,983</u>	<u>\$ -</u>	<u>\$ -</u>
Board-Designated Endowment:				
U.S. Government Obligations	\$ 1,134	\$ 1,134	\$ -	\$ -
Mutual, Index, and Bond Funds	39,994	39,994	-	-
Total	<u>\$ 41,128</u>	<u>\$ 41,128</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interests in Assets Held by North Carolina Community Foundation:	<u>\$ 263,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,472</u>

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

The following table presents assets measured at fair value on a recurring basis at June 30, 2020:

<b>ASSETS</b>	Fair Value Measurements at Report Date Using			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Obligations	\$ 130,207	\$ 130,207	\$ -	\$ -
Mutual, Index, and Bond Funds	706,988	706,988	-	-
Total	<u>\$ 837,195</u>	<u>\$ 837,195</u>	<u>\$ -</u>	<u>\$ -</u>
Board-Designated Endowment:				
U.S. Government Obligations	\$ 738	\$ 738	\$ -	\$ -
Mutual, Index, and Bond Funds	30,979	30,979	-	-
Total	<u>\$ 31,717</u>	<u>\$ 31,717</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interests in Assets Held by North Carolina Community Foundation:	<u>\$ 208,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,700</u>

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

	2021	2020
Balance, Beginning of the Year	\$ 208,700	\$ 216,700
Net Realized and Unrealized Gain	64,257	852
Purchases, Sales, Issuances and Settlements (Net)	(9,485)	(8,852)
Balance, End of the Year	<u>\$ 263,472</u>	<u>\$ 208,700</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, 2021 and 2020.



**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 4 NET INVESTMENT RETURN**

Net investment return consists of the following for the year ended June 30, 2021:

	Investments	Board Designated Endowment	Beneficial Interests in Assets Held by Community Foundation	Total
Interest and Dividends	\$ 13,944	\$ 591	\$ 4,063	\$ 18,598
Net Realized and Unrealized Gains	69,599	8,617	64,257	142,473
Less: Investment Management and Custodial Fees	<u>(3,220)</u>	<u>(127)</u>	<u>(432)</u>	<u>(3,779)</u>
Total Investments	<u>\$ 80,323</u>	<u>\$ 9,081</u>	<u>\$ 67,888</u>	<u>\$ 157,292</u>

Net investment return consists of the following for the year ended June 30, 2020:

	Investments	Board Designated Endowment	Beneficial Interests in Assets Held by Community Foundation	Total
Interest and Dividends	\$ 18,330	\$ 457	\$ 4,571	\$ 23,358
Net Realized and Unrealized Gains	25,462	546	852	26,860
Less: Investment Management and Custodial Fees	<u>(3,526)</u>	<u>(81)</u>	<u>(402)</u>	<u>(4,009)</u>
Total Investments	<u>\$ 40,266</u>	<u>\$ 922</u>	<u>\$ 5,021</u>	<u>\$ 46,209</u>

**NOTE 5 PROMISES TO GIVE**

Unconditional promises to give are estimated to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Within One Year	\$ 37,135	\$ 45,897
In One to Five Years	12,000	18,000
Total	<u>49,135</u>	<u>63,897</u>
Less: Discount to Present Value (.65% to 2.02%)	(421)	(346)
Less: Allowance for Uncollectible Promises to Give	<u>(724)</u>	<u>(1,917)</u>
Total	<u>\$ 47,990</u>	<u>\$ 61,634</u>

**JOHNSTON MEMORIAL HOSPITAL FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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, 2021 and 2020, this fund had a value of approximately \$263,000 and \$209,000, respectively.

**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

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**NOTE 7 ENDOWMENTS (CONTINUED)**

Endowment net assets composition by type of fund was as follows at June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment	<u>\$ 41,128</u>	<u>\$ -</u>	<u>\$ 41,128</u>

Endowment net assets composition by type of fund was as follows at June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment	<u>\$ 31,717</u>	<u>\$ -</u>	<u>\$ 31,717</u>

The change in endowment net assets for the year ended June 30, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 31,717	\$ -	\$ 31,717
Investment Return:			
Investment Income, Net of Fees	464	-	464
Net Realized and Unrealized Gain	8,617	-	8,617
Contributions	<u>330</u>	<u>-</u>	<u>330</u>
Endowment Net Assets, End of Year	<u>\$ 41,128</u>	<u>\$ -</u>	<u>\$ 41,128</u>

The change in endowment net assets for the year ended June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 17,491	\$ -	\$ 17,491
Investment Return:			
Investment Income, Net of Fees	376	-	376
Net Realized and Unrealized Gain	546	-	546
Contributions	<u>13,304</u>	<u>-</u>	<u>13,304</u>
Endowment Net Assets, End of Year	<u>\$ 31,717</u>	<u>\$ -</u>	<u>\$ 31,717</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, 2021 or 2020.

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**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, 2021 and 2020, the Foundation received distributions of approximately \$6,400 from this fund.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2021 and 2020, consist of the following:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specific Purpose:		
Angel Fund	\$ 417,252	\$ 387,837
Patient Assistance Fund	87,527	74,989
Hospice House Capital Fund	289,588	326,108
Healthy Kids Fund	149,090	124,155
3D Mammography Fund	-	24
Home Care and Hospice Fund	244,369	266,447
Heart Fund	129,013	102,716
Community Outreach Fund	525,275	-
Total	<u>1,842,114</u>	<u>1,282,276</u>
Subject to Passage of Time:		
Angel Fund	-	1,715
Patient Assistance Fund	40	1,185
Home Care and Hospice Fund	-	735
Healthy Kids Fund	15	290
3D Mammography Fund	-	5,000
Heart Fund	25,030	2,660
General Fund (Other Promises to Give)	24,050	32,430
Naming Fund	-	24,000
Total	<u>49,135</u>	<u>68,015</u>
 Total Net Assets with Donor Restrictions	 <u><u>\$ 1,891,249</u></u>	 <u><u>\$ 1,350,291</u></u>

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**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>2021</u>	<u>2020</u>
Expiration of Time Restrictions	\$ 32,380	\$ 34,709
Satisfaction of Purpose Restrictions:		
Angel Fund	6,037	24,371
Patient Assistance Fund	24,091	73,510
Hospice House Capital Fund	46,220	251,675
Healthy Kids Fund	15,380	18,338
3D Mammography Fund	6,139	9,909
Home Care and Hospice Fund	115,674	101,843
Heart Fund	60,842	53,144
Clayton Chapel Naming Fund	-	56,007
Total	<u>274,383</u>	<u>588,797</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 306,763</u>	<u>\$ 623,506</u>

**NOTE 9 RELATED PARTIES**

The Foundation received donated salaries and benefits and advertising services from Johnston Health. Donated salaries and benefits approximated \$279,000 and \$254,000 and donated departmental services of approximately \$27,000 and \$28,000 for the years ended June 30, 2021 and 2020, respectively, and are included in Gifts In-Kind within the statements of activities.

The Foundation paid approximately \$294,000 and \$555,000 to Johnston Health during the years ended June 30, 2021 and 2020, respectively, which are included in Program Services within the statements of activities.

At June 30, 2021 and 2020, the Foundation had amounts due to Johnston Health of approximately \$24,000 and \$20,000, which are included in Accounts Payable within the accompanying statements of financial position.

The Foundation has a Promise to Give of \$24,000 due from an organization affiliated with a member of the board of directors.

**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.

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**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 \$41,000. Although the Foundation does not intend to spend from its investments and endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, these amounts could be made available if necessary.

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

	2021	2020
Cash and Cash Equivalents	\$ 1,444,150	\$ 851,308
Promises to Give, Net - Current	37,135	45,897
Board-Designated Endowment	41,128	31,717
Other Investments Appropriated for Use	871,983	837,195
Subtotal	<u>2,394,396</u>	<u>1,766,117</u>
Less: Net Assets With Donor Restrictions	<u>(1,958,865)</u>	<u>(1,417,907)</u>
Total Assets Available	<u>\$ 435,531</u>	<u>\$ 348,210</u>