

**St. Joseph's Hospital and Medical
Center Foundation, Inc.**

Financial Statements

December 31, 2007



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

To the Board of Directors of St. Joseph's Hospital and Medical Center Foundation, Inc.

We have audited the accompanying statement of financial position of St. Joseph's Hospital and Medical Center Foundation, Inc. (the Foundation) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2006 financial statements and, in our report dated March 14, 2006 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of St. Joseph's Hospital and Medical Center Foundation, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

Paramus, New Jersey
February 8, 2008

St. Joseph's Hospital and Medical Center Foundation, Inc.

Statement of Financial Position

December 31, 2007

(with comparative information at December 31, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash	\$ 2,070,084	\$ 2,472,933
Investments	21,110,887	20,297,135
Unconditional promises to give	272,026	694,766
Rents receivable and prepaid expenses	352,201	667,575
Note receivable	<u>60,985</u>	<u>36,772</u>
Total Current Assets	<u>23,866,183</u>	<u>24,169,181</u>
Assets whose use is limited	4,717,625	4,105,604
Unconditional promises to give, net	112,783	243,391
Due from affiliate	2,368,040	
Notes receivable	2,030,967	1,212,380
Investment property, net of accumulated depreciation of \$309,394 and \$401,776	<u>630,711</u>	<u>1,000,318</u>
	<u>\$ 33,726,309</u>	<u>\$ 30,730,874</u>
LIABILITIES AND NET ASSETS		
Liabilities		
St. Joseph's Hospital and Medical Center payable	\$ 1,513,241	\$ 1,228,425
Accounts payable and accrued expenses	75,076	45,244
Annuities payable	<u>65,950</u>	<u>69,091</u>
Total Liabilities	<u>1,654,267</u>	<u>1,342,760</u>
Commitments and contingencies		
Net Assets		
Unrestricted	27,354,417	25,282,510
Temporarily restricted	<u>4,717,625</u>	<u>4,105,604</u>
Total Net Assets	<u>32,072,042</u>	<u>29,388,114</u>
	<u>\$ 33,726,309</u>	<u>\$ 30,730,874</u>

See notes to financial statements

St. Joseph's Hospital and Medical Center Foundation, Inc.

Statement of Activities

Year Ended December 31, 2007
(with summarized totals for 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
REVENUES				
Annual fund	\$ 884,696	\$ 1,712,220	\$ 2,596,916	2,043,746
Special events	1,595,728	-	1,595,728	1,505,699
Net rental income - 57 Willowbrook	159,178	-	159,178	188,687
Interest and dividend income, net of investment fees of \$147,777 and \$135,814	899,782	-	899,782	758,525
Net gain on investments	282,426	-	282,426	2,135,696
Net gain on sale of a condominium unit	559,572	-	559,572	-
Net assets released from restrictions	<u>1,100,199</u>	<u>(1,100,199)</u>	<u>-</u>	<u>-</u>
	<u>5,481,581</u>	<u>612,021</u>	<u>6,093,602</u>	<u>6,632,353</u>
EXPENSES				
Special events	674,674	-	674,674	671,387
Contribution - St. Joseph Hospital and Medical Center	1,613,046	-	1,613,046	835,597
Contributions - other	46,841	-	46,841	137,010
Fundraising expenses and other costs	1,007,048	-	1,007,048	1,034,606
Reduction in promises to give	<u>68,065</u>	<u>-</u>	<u>68,065</u>	<u>46,006</u>
	<u>3,409,674</u>	<u>-</u>	<u>3,409,674</u>	<u>2,724,606</u>
Change in Net Assets	2,071,907	612,021	2,683,928	3,907,747
NET ASSETS				
Beginning of year	<u>25,282,510</u>	<u>4,105,604</u>	<u>29,388,114</u>	<u>25,480,367</u>
End of year	<u>\$ 27,354,417</u>	<u>\$ 4,717,625</u>	<u>\$ 32,072,042</u>	<u>\$ 29,388,114</u>

See notes to financial statements

St. Joseph's Hospital and Medical Center Foundation, Inc.

Statements of Cash Flows

Year Ended December 31, 2007
(with comparative amounts for 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,683,928	\$ 3,907,747
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	40,003	59,661
Net gain on investments	(282,426)	(2,135,696)
Net gain on sale of a condominium unit	(559,572)	-
Reduction in promises to give	68,065	46,006
Net change in operating assets and liabilities		
Unconditional promises to give	485,283	59,930
Rents receivable	315,374	(422,681)
Due from affiliate	(2,368,040)	-
Accounts payable and accrued expenses	29,832	100,242
Annuities payable	(3,141)	60,430
St. Joseph's Hospital and Medical Center payable	284,816	(188,678)
Net Cash Provided by Operating Activities	<u>694,122</u>	<u>1,486,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(59,115)
Purchase of investments	(10,327,818)	(8,264,121)
Proceeds from investments sold	9,184,474	8,188,490
Net Cash Used by Investing Activities	<u>(1,143,344)</u>	<u>(134,746)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection on note receivable	46,373	134,550
Change in cash	(402,849)	1,486,765
CASH		
Beginning of year	2,472,933	986,168
End of year	<u>\$ 2,070,084</u>	<u>\$ 2,472,933</u>

See notes to financial statements

**St. Joseph's Hospital and Medical
Center Foundation, Inc.**

Notes to Financial Statements

1. History of St. Joseph's Hospital and Medical Center Foundation, Inc.

The Foundation is a public charity incorporated in 1982. The Foundation raises funds for St. Joseph's Hospital and Medical Center (the Medical Center), its affiliated organizations, as well as other area charitable organizations.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of St. Joseph's Hospital and Medical Center Foundation, Inc., (the Foundation) is presented to assist in understanding the Foundation's financial statements.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets based on donor imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The presentation 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 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 could differ from those estimates.

Cash

For cash flows presentation purposes, cash includes highly liquid cash investments with an initial maturity of ninety days or less, but does not include any cash included as investments.

Investments

Investments in debt and equity securities carried in the statement of financial position are at fair value. Market valuations of investments are based on published closing prices on the last day of the year. Concentration of credit risk with respect to investments is reduced by diversification, professional management, and limited exposure to any single investment.

**St. Joseph's Hospital and Medical
Center Foundation, Inc,**

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investment Property and Equipment

The investment property relates to the Foundation's ownership in a condominium interest located at 57 Willowbrook, Wayne. The interest and equipment are carried at cost. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	31.5 years
Equipment	3-7 years

Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts, the proceeds applied thereto, and any resulting gain or loss is reflected in the statement of activities.

Income Tax

The Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

Assets Whose Use is Limited

Assets whose use is limited include assets held to be used for temporarily restricted net assets.

Annuities Payable

Included in the investments held by the Foundation and temporarily restricted net assets are investments in annuity income funds arising from contributions which are subject to agreements to pay donors a fixed annuity over the remainder of their lives. The net present value of the actuarially expected annuity payments is recorded as a liability.

**St. Joseph's Hospital and Medical
Center Foundation, Inc,**

Notes to Financial Statements

3. Prior Year Information

The statement of activities includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2006 from which the summarized information was derived.

4. Investments and Assets Whose Use is Limited

A summary of investments at December 31, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Cash equivalents	\$ 2,142,865	\$ 1,976,571
U.S. Government securities	3,664,192	3,240,584
Corporate bonds	800,943	352,414
Marketable equity securities	14,502,887	14,152,370
Asset backed securities	<u>-</u>	<u>575,196</u>
	<u>\$ 21,110,887</u>	<u>\$ 20,297,135</u>

Assets whose use is limited, stated at fair value as of December 31, 2007 and 2006, consist of the following temporarily restricted net assets:

	<u>2007</u>	<u>2006</u>
Cash equivalents	<u>\$ 4,717,625</u>	<u>\$ 4,105,604</u>

Investment income is composed of the following for the year ended December 31:

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 1,047,559	\$ 894,339
Less investment fees	(147,777)	(135,814)
Net realized gain and loss and unrealized loss	61,835	143,520
Rental income, net	159,178	188,687
Net gain of sale of condominium unit	559,572	-
Unrealized gain on investment	<u>220,591</u>	<u>1,992,176</u>
	<u>\$ 1,900,958</u>	<u>\$ 3,082,908</u>

**St. Joseph's Hospital and Medical
Center Foundation, Inc,**

Notes to Financial Statements

5. Note Receivable

The Foundation converted the property at 57 Willowbrook, Wayne, into a condominium entity containing three units. During 2007 the Foundation sold a portion of the condominium space to unrelated parties. As of December 31, 2007 the Foundation owns approximately one and one half of the original three units. The following table lists the notes receivable that are due on the sale proceeds:

Note secured by a condominium interest. The note will amortize over 20 years. Interest is set at 6.25% and will adjust every five years to 2.5% over the five year Treasury bill rate	\$ 1,212,379
Note secured by a condominium interest. The note will amortize over 20 years with interest at 7%. Interest will adjust in 2012 and every 5 years thereafter to 2.5% above the five year Treasury bill rate	511,897
Note secured by a condominium interest. The note will amortize over 20 years with interest at 7%. Interest will adjust in 2012 every five years thereafter to 2.5% above the five year Treasury bill rate.	<u>367,675</u>
	2,091,951
Less current portion	<u>60,985</u>
	<u><u>\$ 2,030,966</u></u>

The annual principal payments for the next five years are:

<u>Year Ended</u> <u>December 31,</u>	<u>Amount</u>
2008	\$ 60,985
2009	65,083
2010	69,454
2011	74,207
2012	<u>79,105</u>
	<u><u>\$ 348,834</u></u>

**St. Joseph's Hospital and Medical
Center Foundation, Inc,**

Notes to Financial Statements

6. Unconditional Promises to Give

Unconditional promises to give by donors are considered contributions by the Foundation and are recognized as revenue and receivables in the period the promises are received. The unconditional promises to give which extend beyond one year were discounted to their fair value at December 31st. The total future value of unconditional promises to give will be collected in the following periods:

	2007	2006
One year	\$ 272,026	\$ 694,766
Two years to five years	172,000	304,677
	444,026	999,443
Less allowance for uncollectible pledges and Discount for pledges collectible in future years at 5%.	(59,217)	(61,286)
	\$ 384,809	\$ 938,157

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for future periods or for specific purposes. Net assets during the year were released from donor restrictions by incurring expenditures satisfying the restricted purpose.

Temporarily restricted net assets as of December 31, 2007 and 2006 are available for the following purposes:

	2007	2006
Restricted as to purpose:		
Medical equipment and programs	\$ 1,197,673	\$ 1,183,275
Adult and Children Services	3,432,451	2,831,927
Other health care programs	87,501	90,402
	\$ 4,717,625	\$ 4,105,604

**St. Joseph's Hospital and Medical
Center Foundation, Inc,**

Notes to Financial Statements

7. Temporarily Restricted Net Assets (continued)

Net assets released from restrictions during the years ended December 31, 2007 and 2006, represent revenue from various restricted net assets expended as follows:

	<u>2007</u>	<u>2006</u>
Medical equipment and programs	\$ 182,912	\$ 100,462
Adult and Children Services	489,820	402,894
Other health care programs	<u>427,467</u>	<u>182,320</u>
Total Net Assets Released from Restrictions	<u>\$ 1,100,199</u>	<u>\$ 685,676</u>

8. Rental Income

As of the end of 2007, the Foundation owns and rents one and one half out of the three condominium units in an office complex in Wayne, New Jersey. The Medical Center leases the one and one half units on a month-to-month basis.

9. Related Party Transactions

The Foundation receives certain services from the Medical Center. These services include various operating expenses such as salaries, rent, utilities and other administrative expenses. During 2007 and 2006, the Foundation paid the Medical Center \$832,588 and \$838,474, respectively for these services.

10. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and investments. The Foundation maintains its cash in bank deposit accounts, the balances of which, at times, may exceed Federally insured limits. Exposure to credit risk is reduced by placing deposits and investments in highly regarded financial institutions.

11. Commitments

The Foundation, in its efforts to assist the Hospital, has pledged approximately \$1,100,000 and \$1,600,000 as of December 31, 2007 and 2006 as collateral for a hospital loan. The funds are held in a segregated account held by the bank.