Foundation for Morristown Medical Center

Financial Statements
December 31, 2020 and 2019

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Report of Independent Auditors

To the Board of Trustees of Foundation for Morristown Medical Center

We have audited the accompanying financial statements of Foundation for Morristown Medical Center, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets and of cash flows for the years then ended.

Management's Responsibility 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; 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 the 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 our 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, we consider internal control relevant to the Company'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 Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Morristown Medical Center as of December 31, 2020 and 2019, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

April 15, 2021

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Foundation for Morristown Medical Center
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Investments	$ 77,530,109	$ 71,027,664
Pledges receivable, net	13,454,760	17,961,288
Other assets	1,275,016	799,200
Beneficial interest in charitable remainder unitrust	1,644,041	1,657,861
Due from Morristown Division	78,110,616	68,677,190
Total assets	$ 172,014,542	$ 160,123,203
Liabilities		
Annuities payable	$ 2,275,948	$ 2,385,290
Accounts payable due to Morristown Division	2,299,757	2,107,998
Total liabilities	4,575,705	4,493,288
Net assets		
Without donor restrictions	50,612,631	43,005,400
With donor restrictions	116,826,206	112,624,515
Total net assets	167,438,837	155,629,915
Total liabilities and net assets	$ 172,014,542	$ 160,123,203

The accompanying notes are an integral part of these financial statements.

Foundation for Morristown Medical Center
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Contributions	$ 2,246,406	$ 17,076,307	$ 19,322,713	$ 1,463,613	$ 18,661,526	$ 20,125,139
Investment income, net	5,487,420	1,861,148	7,348,568	6,584,726	1,946,084	8,530,810
Net assets released from restriction	7,495,935	(7,495,935)	-	9,464,683	(9,464,683)	-
Total operating revenues	15,229,761	11,441,520	26,671,281	17,513,022	11,142,927	28,655,949
Expenses						
Program services	7,814,776	-	7,814,776	8,121,050	-	8,121,050
General and administrative	4,442,099	-	4,442,099	5,121,253	-	5,121,253
Total operating expenses	12,256,875	-	12,256,875	13,242,303	-	13,242,303
Operating income	2,972,886	11,441,520	14,414,406	4,270,719	11,142,927	15,413,646
Beneficial interest in charitable remainder unitrust	-	(13,820)	(13,820)	-	215,022	215,022
Change in net unrealized gains	4,634,345	2,511,082	7,145,427	9,446,724	5,016,253	14,462,977
Excess of revenues over expenses	7,607,231	13,938,782	21,546,013	13,717,443	16,374,202	30,091,645
Net assets released from restriction used for capital	9,737,091	(9,737,091)	-	12,618,642	(12,618,642)	-
Distributions to Morristown division - capital	(9,737,091)	-	(9,737,091)	(14,319,623)	-	(14,319,623)
Increase in net assets	7,607,231	4,201,691	11,808,922	12,016,462	3,755,560	15,772,022
Net assets						
Beginning of year	43,005,400	112,624,515	155,629,915	30,988,938	108,868,955	139,857,893
End of year	$ 50,612,631	$ 116,826,206	$ 167,438,837	$ 43,005,400	$ 112,624,515	$ 155,629,915

The accompanying notes are an integral part of these financial statements.

Foundation for Morristown Medical Center
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Increase in net assets	$ 11,808,922	$ 15,772,022
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized gains on investments	(5,609,087)	(9,718,506)
Realized and unrealized gains on investments on assets held by Morristown Division	(4,720,535)	(7,983,878)
Restricted contributions for capital	(12,055,300)	(13,202,517)
Restricted contributions for permanent investments	(571,722)	(189,768)
Contributed securities	(560,739)	(1,013,329)
Proceeds from sales of contributed investments	236,958	345,241
Changes in assets and liabilities		
Decrease in pledges receivable and other assets	5,073,257	820,159
Decrease / (increase) in beneficial interest in charitable remainder unitrust	13,820	(215,022)
(Decrease) / increase in annuities payable	(109,342)	106,802
Increase in accounts payable to the Morristown Division	191,759	82,756
Cash used in operating activities	(6,302,009)	(15,196,040)
Cash flows from investing activities		
Purchase of investments	(19,034,174)	(19,057,558)
Gross proceeds from sales of investments	19,467,364	20,452,609
Net distributions (to) from Morristown Division	(4,712,891)	2,727,365
Cash (used in) provided by investing activities	(4,279,701)	4,122,416
Cash flows from financing activities		
Restricted contributions for capital	10,162,023	10,278,234
Restricted contributions for permanent investments	895,503	267,182
Cash provided by financing activities	11,057,526	10,545,416
Change in cash, cash equivalents and restricted cash	475,816	(528,208)
Cash, cash equivalents and restricted cash		
Beginning of year	799,200	1,327,408
End of year	$ 1,275,016	$ 799,200
Supplemental disclosure of cash flow information		
Contributed securities	$ 560,739	$ 1,013,329

The accompanying notes are an integral part of these financial statements.

1. Organization

The Foundation for Morristown Medical Center (the “Foundation”) is a not-for-profit fundraising organization which solicits funds in its general appeal to support both the Morristown Medical Center (the “Morristown Division”), which is a division of AHS Hospital Corp. (the “Hospital”), and the community as the Foundation’s Board may deem appropriate. The by-laws of the Foundation were amended on November 19, 2015, to provide that funds received by the Foundation after the date of the amendment may be used for the benefit of Atlantic Health System, Inc. (the “Parent”) and the Hospital upon approval of the Executive Committee of the Board of the Foundation. The Foundation is organized under the not-for-profit corporation law of the State of New Jersey and is exempt from the Federal income tax under Section 501(c)3 of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

The following is a summary of the Foundation’s significant accounting policies:

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Adopted Authoritative Pronouncements
In January 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) 2016-01 - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The amendments in this update require equity investments (except those accounted for under the equity method) to be generally measured at fair value with changes in fair value recognized within the performance indicator. The standard was effective for fiscal years beginning after December 15, 2018, and the Foundation adopted this standard effective January 1, 2019. As a result of adoption, unrealized gains and losses are reflected within the performance indicator, whereas prior to adoption the unrealized gains and losses associated with the available for sale securities were reported within other adjustments in net assets without donor restrictions. There was no impact upon total net assets or change in net assets as a result of the adoption.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, which addresses the presentation, disclosure, and cash flow classification of restricted cash and requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities would also be required to reconcile these amounts on the balance sheets to the statements of cash flows and disclose the nature of the restrictions. The new standard was effective as of January 1, 2019 and was adopted using a retrospective application.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that total to the amounts shown in the of cash flows for each of the years:

	2020	2019
Other assets	$ 1,275,016	$ 799,200

For cash management purposes, restricted cash identified includes cash held in other assets on the balance sheet, which consists of unapplied cash on contributions and cash held on behalf of the Women's Association of Morristown Medical Center at December 31, 2020 and 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a framework for evaluating whether grants should be accounted for as exchange transactions or as nonexchange transactions. This ASU was effective for annual periods beginning after June 15, 2018 and was adopted by the Foundation in 2019 on a modified prospective basis. Adoption of the standard did not have a material impact to the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)*. The new ASU eliminates, adds and modifies certain disclosure requirements related to fair value measurement. This ASU is effective for fiscal years beginning after December 15, 2019, and the Foundation’s adoption of the standard did not have a material impact on its financial statements.

Use of Estimates
The preparation of financial statements in conformity with GAAP 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. Significant estimates include the reserve for uncollectible pledges and valuation of investments. Actual results could differ from those estimates.

Excess of Revenues over Expenses
The statements of activities and changes in net assets include excess of revenues over expenses. Changes in net assets which are excluded from excess of revenues over expenses include net assets released from restrictions used for capital, and distributions to Morristown Division - capital.

The Foundation differentiates its operating activities through the use of operating income as an intermediate measure of operations. For the purposes of display, beneficial interest in charitable remainder unitrusts and change in net unrealized gains, which management does not consider being a component of the Foundation’s operating activities, is excluded from operating income in the statements of activities and changes in net assets.

Investments
Investments principally consist of in marketable equity securities with readily determinable fair values including money market funds which are measured at fair value in the statements of financial position. Investment income, including realized and unrealized gains and losses, interest income and dividends, and investment management fees, are included in excess of revenues over expenses.

Pledges Receivable
Contributions, including unconditional promises to give (“pledges”), are reported as revenues in the period received or pledged.

Conditional promises to give are not recognized until they become unconditional, that is, when both the barrier to entitlement and the refund of amounts paid (or a release from obligation to make future payments) have been substantially met. Conditional contributions received, where the barrier to entitlement is not yet overcome, are recorded as deferred revenue.

Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt if the Foundation received certain goods and services that meet criteria under GAAP for recognition as contributions. Contributions of property and equipment are recorded as increases in net assets without donor restrictions unless the donor places restrictions on their use. Pledges not expected to be received within one year are discounted at a risk-adjusted rate that includes a premium for credit risk, if any. In addition, provisions for uncollectible contribution receivables has been recorded at the amount necessary to reduce pledges receivable to its estimated realizable value.

Beneficial Interest in Charitable Remainder Unitrust
In 2013, the Foundation became the sole beneficiary of an irrevocable charitable remainder unitrust administered by a third party. The donor has designated the remainder unitrust as a permanent endowment for the benefit of the emergency department at the Morristown Division. The charitable remainder unitrust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (over the benefactor's lifetime). Upon the termination of annuity payments to the grantor, the Foundation will receive its respective remaining share of principal and income from the trust. The Foundation's interest in the trust is shown in the statements of financial position at $1,644,041 and $1,657,861 as of December 31, 2020 and 2019, respectively. The remainder unitrust continues to be outstanding at December 31, 2020. On an annual basis, the Foundation revalues the remainder unitrust based on a fixed annuity payment over the estimated life of the benefactors, and accordingly, recognized ($13,820) and $215,022 in with donor restriction beneficial interest for the periods ended December 31, 2020 and 2019, respectively.

Charitable Gift Annuities
The Foundation has entered into certain agreements with donors which consist primarily of charitable gift annuities for which the Foundation serves as trustee. Within the investment portfolio assets associated with the charitable gift annuities amounted to $5,753,434 and $5,420,430 at December 31, 2020 and 2019, respectively. Contributions related to these charitable gift annuities, net of related liabilities, increase net assets with donor restriction. Liabilities associated with charitable gift annuities represent the present value of the expected payments to the beneficiaries based on the terms of the agreements. At December 31, 2020 and 2019, there were liabilities of $2,275,948 and $2,385,290, respectively, on the statements of financial position.

Net Assets with Donor Restrictions
Net assets with donor restrictions are those funds whose use by the Foundation has been limited by donors to a specific time period and/or purpose. Once the restrictions are satisfied, or have been deemed to have been satisfied, those assets with donor restrictions are released from restrictions. Net assets that have been restricted by donors to be maintained by the Foundation in perpetuity will remain classified as net assets with donor restrictions.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Management of the Foundation has interpreted the State of New Jersey's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic dollar value of donor-restricted endowment funds (absent explicit donor stipulations to the contrary). Historic dollar value is defined as the aggregate fair value in dollars of: (i) an endowment fund at the time it became an endowment, (ii) each subsequent donation to the fund at the time it is made, and (iii) each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. Based on this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the restricted net assets, (b) the original value of subsequent gifts to the permanent endowment, (c) the net realizable value of future payments to restricted net assets in accordance with the donor's gift instrument (outstanding endowment pledges net of applicable discount), and (d) appreciation (depreciation), gains (losses) and income earned on the fund when the donor states that such increases or decreases are to be treated as changes in net assets with donor restriction. The remaining portions of the donor-restricted endowment fund that is not classified in net assets with donor restriction in perpetuity is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;

(2) The purpose of the organization and the donor-restricted endowment fund;

(3) General economic conditions;

(4) The possible effect of inflation and deflation;

(5) The expected total return from income and the appreciation of investments;

(6) Other resources of the Foundation; and

(7) The investment policies of the Foundation.

The Foundation has an endowment spending policy that governs distributions each year to 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. This method also compensates for any volatile year-to-year fluctuation in investment returns. The effective distribution rate under the endowment spending policy was equal to 4.0% for each of the years ended December 31, 2020 and 2019.

Management further understands that expenditures from a donor-restricted fund is limited to the uses and purposes for which the endowment fund is established and the use of net appreciation, realized gains (with respect to all assets) and unrealized gains (with respect only to readily marketable assets) is limited to the extent that the fair value of a donor-restricted fund exceeds the historic dollar value of the fund (unless the applicable gift instrument indicates that net appreciation shall not be expended), to the extent that such expenditure is prudent, considering the long and short term needs of the Foundation in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments and general economic conditions. Under the policies established and approved by the Foundation's Investment Subcommittee, donor-restricted endowment funds are invested in income-generating investment vehicles to generate appreciation and preserve capital.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified as net assets without donor restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Fair Value Measurements
FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurements,* establishes a framework for measuring fair value under GAAP and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

The accounting guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Foundation for financial instruments measured at fair value on a recurring basis. Alternative investments are not considered leveled investments and are treated similar to cash. The three levels of inputs are as follows:

Level 1 Quoted market prices in active markets for identical assets or liabilities. Level 1 assets consist of common stock as they are traded in an active market with sufficient volume and frequency of transactions.

Level 2 Quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability. Level 2 assets consist of money market funds and mutual funds that are nonexchange trade and valued based on net asset values (NAVs) calculated by the funds' independent administrators which are calculated at least daily. These valuations are readily observable in the market place or are supported by observable levels at which transactions are executed in the marketplace. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and / or nontransferability, which are generally based on available market information. Redemptions from each of the funds can be made at least daily on the latest reported NAV.

Level 3 Unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value. Level 3 assets consist of beneficial interests in perpetual trusts held by third parties, primarily invested in equities and fixed income securities.

For investments in alternative investments, fair value is measured based on unobservable inputs that cannot be corroborated by observable market data where the Foundation does not exert significant influence to cover the waterfall concern. The Foundation accounts for these investments within its long-term investment portfolio using the NAV as a practical expedient, and as such these investments are excluded from the fair value hierarchy.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market Approach (M) - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost Approach (C) - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income Approach (I) - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions the market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors.

The Foundation utilized the best available information in measuring fair value (Note 5).

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of December 31, 2020 and 2019 for general expenditures are as follows:

	2020	2019
Investments	$ 21,482,346	$ 18,038,860
Pledges receivable, net	5,913,468	6,943,653
Other assets	759,599	272,769
	$ 28,155,413	$ 25,255,282

Management monitors the Foundation's cash flow on a regular basis. If needed, short-term investments are available and can be liquidated in order to meet financial needs. Also, the Foundation shares an operating bank account as well as an investment pool with the Morristown Division, which is reflected on the statement of financial position as of December 31, 2020 and 2019 as due from Morristown Division, in the amount of $78,110,616 and $68,677,190, respectively. The aforementioned assets are available upon request by the Foundation but are held by the Morristown Division for administrative purposes and to optimize investment performance. Such requests to transfer assets from the Morristown Division to the Foundation are subject to the approval by the Board of Trustees of the Morristown Division.

4. Related-Party Transactions

Accounts payable due to the Morristown Division arise from expenses incurred by the Foundation which are paid by the Morristown Division. The Morristown Division pays all expenses on behalf of the Foundation and is subsequently reimbursed by the Foundation. Distributions to the Morristown Division include cash transfers to be used for capital and are treated as equity transfers on the statements of activities and changes in net assets.

At December 31, 2020 and 2019, for cash management purposes, the Foundation's cash is held at the Morristown Division and the Foundation correspondingly recognizes these amounts as part of due from Morristown Division in the statements of financial position, as is noted in Note 3 above.

5. Investments

Investments at fair value at December 31, 2020 and 2019 consist of the following:

	Market	
	2020	**2019**
Long-term investment		
Money market funds	$ 3,364,998	$ 2,194,843
Mutual funds	70,955,506	65,700,092
Alternative investments-equity	3,209,605	3,132,729
	$ 77,530,109	$ 71,027,664

The fair value of the Foundation's financial assets that are measured on a recurring basis at December 31, 2020 and 2019 are as follows:

		Based on			
	Fair Value at December 31, 2020	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Valuation Technique (1)**
Money market funds	$ 3,364,998	$ -	$ 3,364,998	$ -	M
Mutual funds	70,955,506	-	70,955,506	-	M
	$ 74,320,504	$ -	$ 74,320,504	$ -	
Investments measured at NAV as practical expedient	$ 3,209,605				

		Based on			
	Fair Value at December 31, 2019	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Valuation Technique (1)**
Money market funds	$ 2,194,843	$ -	$ 2,194,843	$ -	M
Mutual funds	65,700,092	-	65,700,092	-	M
	$ 67,894,935	$ -	$ 67,894,935	$ -	
Investments measured at NAV as practical expedient	$ 3,132,729				

There were no transfers between levels during the years ended December 31, 2020 and 2019.

6. Pledges Receivable

Pledges receivable, net consists of the following as of December 31, 2020 and 2019:

	2020	2019
Amounts expected to be collected in		
Less than one year	$ 6,310,957	$ 7,508,498
One to five years	7,592,350	11,843,696
More than five years	500,000	625,000
	14,403,307	19,977,194
Discount to present value of future cash flows (at a rate of 0.36% and 1.69% for pledges made in 2020 and 2019, respectively)	216,628	1,052,046
Reserve for uncollectible amounts	731,919	963,860
Total pledges receivable, net	$ 13,454,760	$ 17,961,288

7. Net Assets with Donor Restrictions

Net assets with donor restrictions, subject to restriction for a specified purpose are as follows:

	December 31,	
	2020	2019
Research	$ 3,325,338	$ 3,247,804
Purchase of plant and equipment	18,490,223	23,720,835
Scholarships and education	5,452,662	5,110,904
Program services	50,126,519	42,141,397
	$ 77,394,742	$ 74,220,940

Net assets with donor restrictions, subject to the Foundation's spending policy and appropriation are listed in the table below:

	December 31,	
	2020	2019
Donor-restricted endowment funds	$ 39,431,464	$ 38,403,575

Changes in endowment net assets for the fiscal years ended December 31, 2020 and 2019 were as follows:

	December 31,	
	2020	2019
Endowment net assets with donor restriction at beginning of year	$ 53,562,104	$ 50,013,764
Investment income	3,560,401	7,017,648
Contributions	571,722	170,680
Beneficial interest in charitable remainder unitrust	(13,820)	215,022
Appropriation of endowment assets for expenditure	(1,836,430)	(2,154,029)
Return of prior year gift (at donor's request)	-	(1,700,981)
Endowment net assets with donor restriction at end of year	$ 55,843,977	$ 53,562,104

During 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of purchasing equipment in the amounts of $9,737,091 and $12,618,642, respectively, and other noncapital purposes in the amounts of $7,495,935 and $9,464,683, respectively.

8. Commitments and Contingencies

The Foundation is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of such matters will not have a material adverse effect on the financial position of the Foundation.

9. Functional Expenses

The financial statements report certain expense categories that are attributable to both program services and management and general functions. Therefore, the natural expenses require allocation on a reasonable basis that is consistently applied, across functional expense category. Salaries are allocated based on a percent-to-total of program salaries and management and general salaries to the applicable total expense categories. Costs not directly attributable to a function, including program services expenses spent in line with donor restrictions, are allocated to a function based on the same allocation rates as salaries.

Total expenses related to providing both program services and general and administrative functions at December 31, 2020 and 2019 are as follows:

	2020		
Natural Expense Categories	**Program Services**	**General and Administrative**	**Total**
Salaries	$ 5,102,936	$ 2,667,297	$ 7,770,233
Supplies and other expenses	2,711,840	1,087,066	3,798,906
Employee benefits	-	639,800	639,800
Interest	-	47,936	47,936
	$ 7,814,776	$ 4,442,099	$ 12,256,875

	2019		
Natural Expense Categories	**Program Services**	**General and Administrative**	**Total**
Salaries	$ 5,225,971	$ 2,833,108	$ 8,059,079
Supplies and other expenses	2,895,079	1,545,833	4,440,912
Employee benefits	-	651,693	651,693
Interest	-	90,619	90,619
	$ 8,121,050	$ 5,121,253	$ 13,242,303

10. Disclosure of Fair Value of Financial Instruments

The Foundation currently has no other financial instruments subject to fair value measurement on a recurring basis. For other assets, accounts payable due to Morristown Division and annuities payable the net carrying value of these items approximates their fair value.

11. Subsequent Events

Subsequent events have been evaluated through April 15, 2021, which is the date the financial statements were available to be issued. The Foundation has determined that all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles, are included in the financial statements.