

Financial Statements, Supplementary Information and
Report of Independent Certified Public Accountants

Deborah Hospital Foundation

December 31, 2012 and 2011

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Report of Independent Certified Public Accountants

Board of Directors
Deborah Hospital Foundation

We have audited the accompanying financial statements of Deborah Hospital Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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.

Auditor's 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Deborah Hospital Foundation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

April 26, 2013

Deborah Hospital Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	2012	2011
Cash	\$ 467,324	\$ 850,290
Investments	16,320,945	16,378,721
Prepaid expenses and other assets	804,929	942,422
Assets restricted as to use:		
Annuity and life income	5,375,659	5,731,473
Donor restricted	684,500	-
Contributions receivable, net	327,878	804,562
Property, plant, and equipment, net	4,789,146	5,021,303
Beneficial interest in perpetual trusts	5,395,161	5,159,700
Total assets	<u>\$ 34,165,542</u>	<u>\$ 34,888,471</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 124,241	\$ 292,988
Accrued expenses	214,505	139,048
Due to Deborah Heart and Lung Center	3,037,024	1,626,383
Long-term debt	1,600,610	1,637,637
Deferred revenue	687,541	903,144
Annuity and life income reserve	4,249,070	4,587,485
Total liabilities	9,912,991	9,186,685
Net assets:		
Unrestricted	18,172,890	20,542,086
Temporarily restricted	6,079,661	5,159,700
Total net assets	<u>24,252,551</u>	<u>25,701,786</u>
Total liabilities and net assets	<u>\$ 34,165,542</u>	<u>\$ 34,888,471</u>

The accompanying notes are an integral part of these statements.

Deborah Hospital Foundation

STATEMENT OF ACTIVITIES

Year ended December 31, 2012

	Unrestricted	Temporarily restricted	Total
Revenue			
Public support			
Public chapter support	\$ 2,144,033	\$ -	\$ 2,144,033
Corporate and foundation support	377,781	889,547	1,267,328
Special events	264,981	-	264,981
Legacies, bequests, and annuities	1,183,411	1,201,227	2,384,638
Less: amounts raised on behalf of others	-	(1,406,274)	(1,406,274)
Total public support	3,970,206	684,500	4,654,706
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	-	235,461	235,461
Investment returns, net	1,557,869	-	1,557,869
Lease and other income	215,603	-	215,603
Total other revenue	1,773,472	235,461	2,008,933
Total revenue	5,743,678	919,961	6,663,639
Expenses			
Program services			
Deborah Heart and Lung Center	4,510,599	-	4,510,599
Other specific purpose programs, including Children of the World	219,108	-	219,108
Total program services	4,729,707	-	4,729,707
Supporting services			
Management, administrative and general	207,262	-	207,262
Fundraising	3,175,905	-	3,175,905
Total supporting services	3,383,167	-	3,383,167
Total expenses	8,112,874	-	8,112,874
Change in net assets	(2,369,196)	919,961	(1,449,235)
Net assets, beginning of year	20,542,086	5,159,700	25,701,786
Net assets, end of year	\$ 18,172,890	\$ 6,079,661	\$ 24,252,551

The accompanying notes are an integral part of this statement.

Deborah Hospital Foundation

STATEMENT OF ACTIVITIES

Year ended December 31, 2011

	Unrestricted	Temporarily restricted	Total
Revenue			
Public support			
Public chapter support	\$ 2,323,837	\$ -	\$ 2,323,837
Corporate and foundation support	406,659	922,260	1,328,919
Special events	483,093	-	483,093
Legacies, bequests, and annuities	3,471,556	3,649,048	7,120,604
Less: amounts raised on behalf of others	-	(3,553,561)	(3,553,561)
Total public support	6,685,145	1,017,747	7,702,892
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	-	(342,719)	(342,719)
Investment returns, net	(136,837)	-	(136,837)
Lease and other income	156,822	-	156,822
Total other revenue	19,985	(342,719)	(322,734)
Total revenue	6,705,130	675,028	7,380,158
Expenses			
Program services			
Deborah Heart and Lung Center	5,066,000	-	5,066,000
Other specific purpose programs, including Children of the World	218,290	-	218,290
Total program services	5,284,290	-	5,284,290
Supporting services			
Management, administrative and general	1,263,431	-	1,263,431
Fundraising	1,681,350	-	1,681,350
Total supporting services	2,944,781	-	2,944,781
Total expenses	8,229,071	-	8,229,071
Change in net assets	(1,523,941)	675,028	(848,913)
Net assets, beginning of year	22,066,027	4,484,672	26,550,699
Net assets, end of year	\$ 20,542,086	\$ 5,159,700	\$ 25,701,786

The accompanying notes are an integral part of this statement.

Deborah Hospital Foundation

STATEMENTS OF CASH FLOWS

Year ended December 31,

	2012	2011
Operating activities		
Change in net assets	\$ (1,449,235)	\$ (848,913)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized (gains) losses on investments	(1,188,899)	473,425
Depreciation	353,777	335,666
Recovery for doubtful accounts	(26,574)	(1,042,443)
Change in beneficial interest in perpetual trusts	(235,461)	(675,028)
Change in deferred revenues	(215,603)	(156,822)
Changes in certain assets and liabilities		
Contributions receivable	503,258	3,103,099
Prepaid expenses and other assets	137,493	(196,293)
Accounts payable	(168,747)	115,788
Accrued expenses	75,457	9,965
Due to Deborah Heart and Lung Center	1,410,641	303,381
Annuity and life income reserve	(338,415)	36,785
Net cash (used in) provided by operating activities	(1,142,308)	1,458,610
Investing activities		
Purchases of property, plant, and equipment	(121,620)	(2,898)
Increase in note receivable	-	(556,587)
Change in investments, net	917,989	(1,531,914)
Net cash provided by (used in) investing activities	796,369	(2,091,399)
Financing activities		
Payments on long-term debt	(37,027)	(35,889)
Net cash used in financing activities	(37,027)	(35,889)
Decrease in cash	(382,966)	(668,678)
Cash, beginning of year	850,290	1,518,968
Cash, end of year	\$ 467,324	\$ 850,290
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 82,487	\$ 83,535
Lease incentive		
Non-cash additions to property, plant and equipment (Note F)	\$ -	\$ 529,983
Non-cash additions to prepaid expenses and other assets	-	529,983
Non-cash additions to deferred revenues (Note F)	-	(1,059,966)
	\$ -	\$ -

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE A - ORGANIZATION

Deborah Hospital Foundation (the Foundation) is a not-for-profit tax-exempt corporation established to raise funds to support its charitable program services and operations, including various programs of Deborah Heart and Lung Center (the Center), a tax-exempt teaching and tertiary care specialty hospital located in Browns Mills, New Jersey. Additionally, the President of the Center holds the position of President of the Foundation, and the Chief Operating Officer of the Center holds the position of Treasurer of the Foundation.

The Foundation's Board of Directors currently consists of twenty-one (21) members, including the Chief Operating Officer of the Center, who also serves in a non-voting role of Treasurer of the Foundation Board. The remaining voting members of the Board include the Chairman of the Board of the Foundation, the President of the Center/Foundation and eighteen (18) other members. Due to recent by-law changes, the Board is evolving from one consisting of elected representatives of volunteer regions and At-Large Members to one of solely At-Large Members elected by the Board. The new by-laws provide for a Board with a maximum size of eighteen (18) members, which the Foundation intends to reach through attrition at the end of existing terms.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Accordingly, actual results could differ from those estimates. The most significant management estimates and assumptions related to the determination of allowances for receivables, useful lives of property, plant and equipment, actuarial estimates for the annuity and life income reserves and the reported fair values of certain assets and liabilities.

2. Contributions

Contributions are considered to be available for distribution in accordance with the Foundation's bylaws unless specifically restricted by the donor and are recorded at fair value at date of donation.

Temporarily restricted contributions include contributions and amounts raised on behalf of others (ARBO). Contributions are recognized as revenue in the period received or promised.

Contributions received where the donor designates that the gift is for a specific nonprofit agency are accounted for as agency transactions. Accordingly, such amounts raised on behalf of others are included in total public support in the accompanying financial statements and deducted prior to reporting total revenue.

3. Investments and Assets Restricted as to Use

Investments in debt and equity securities are measured at fair value based on quoted market prices. Investment income or loss (including realized and unrealized gains and losses, and interest and dividends) is included in investment returns. Realized gains and losses for all investments are determined by the average cost method.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Foundation's investments are managed by investment managers. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

4. Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in revenue. These unconditional promises to give have been stipulated by the donor, or it is clear that the donor's intention is to support the Foundation's current-period activities, and as such are reported as unrestricted support in the year of the promise. Conditional promises to give are not included as support until such time as the conditions are substantially met.

5. Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are being amortized over the term of the lease.

The Foundation periodically evaluates property and equipment for impairment. Management believes that no revision to the remaining useful lives or write-down of long-lived assets was required at December 31, 2012.

6. Beneficial Interest in Perpetual Trusts

The Foundation is an income beneficiary of perpetual trusts and has recorded its portion of the fair value of the trusts. The original corpus of the trusts cannot be violated; however, a contingent beneficiary exists in the event that the Foundation or the Children of the World Program ceases to exist. Therefore, the trusts are reported as temporarily restricted net assets.

7. Volunteers

A number of volunteers, including the members of the Board, have made significant contributions of time to the Foundation's policymaking, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

8. Allocation of Joint Costs

The Foundation conducts activities that included requests for contributions, as well as program and management and general components. Management considers all costs of conducting these activities, other than costs directly related to program services for the Center and Children of the World, as joint costs. The allocation of these costs is in the statements of activities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Income Taxes

The Foundation is a not-for-profit corporation and is exempt from federal and state income taxes under existing provisions of the Internal Revenue Code and the laws of the State of New Jersey.

The Foundation follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Foundation does not believe its financial statements include any material uncertain tax positions.

NOTE C - INVESTMENTS AND ASSETS RESTRICTED AS TO USE

	December 31,	
	<u>2012</u>	<u>2011</u>
Investments		
Cash and cash equivalents	\$ 1,165,135	\$ 3,393,173
Fixed income securities	4,119,560	4,724,116
Equity securities (including mutual funds)	10,981,605	8,194,335
Accrued interest receivable	<u>54,645</u>	<u>67,097</u>
Total	<u>\$ 16,320,945</u>	<u>\$ 16,378,721</u>
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	\$ 132,547	\$ 180,777
Fixed income securities	3,785,963	3,724,004
Equity securities (including mutual funds)	<u>1,457,149</u>	<u>1,826,692</u>
Total	<u>\$ 5,375,659</u>	<u>\$ 5,731,473</u>
Assets restricted as to use - donor restricted		
Cash and cash equivalents	\$ <u>684,500</u>	\$ <u>-</u>
Total	<u>\$ 684,500</u>	<u>\$ -</u>

Assets restricted as to use - annuity and life income consist of assets acquired by the Foundation through a deferred giving program, on the condition that the Foundation bind itself to pay stipulated amounts periodically to designated individuals. Payments of such amounts terminate at a time specified in the individual agreements. The present value of the annuities and the life income fund's future payments are recorded as a liability. At December 31, 2012 and 2011, assets acquired by the Foundation and additional discretionary contributions made to the fund by the Foundation exceeded State of New Jersey regulatory funding requirements by \$233,296 and \$257,272, respectively, for the annuity fund. In addition, the Foundation maintained \$497,690 and \$457,071 investments in excess of the life income fund liability at December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE C - INVESTMENTS AND ASSETS RESTRICTED AS TO USE - Continued

Investment returns for cash, investments, and assets restricted as to use are comprised of the following:

	Year ended December 31,	
	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 368,970	\$ 336,588
Net realized gains on sales of investments	185,849	458,344
Change in net unrealized gains and losses on investments	<u>1,003,050</u>	<u>(931,769)</u>
Total investment returns	<u>\$ 1,557,869</u>	<u>\$ (136,837)</u>

NOTE D - FAIR VALUE MEASUREMENTS

The Foundation measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures.

The fair value hierarchy is broken down into three levels based on source of inputs: Level 1 - defined as observable inputs such as quoted prices in active markets; Level 2 - defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3 - defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In determining fair value, the Foundation uses the market approach. The market approach utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The following table presents the fair value hierarchy for the Foundation's financial assets measured at fair value on a recurring basis at December 31, 2012 and 2011:

<u>2012</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 2,449,506	\$ 2,449,506	\$ -
Fixed income securities	7,905,523	-	7,905,523
Equity securities (including mutual funds)	12,438,754	12,438,754	-
Beneficial interest in perpetual trusts	<u>5,395,161</u>	<u>-</u>	<u>5,395,161</u>
	<u>\$ 28,188,944</u>	<u>\$ 14,888,260</u>	<u>\$ 13,300,684</u>
<u>2011</u>			
Cash and cash equivalents	\$ 4,424,240	\$ 4,424,240	\$ -
Fixed income securities	8,448,120	-	8,448,120
Equity securities (including mutual funds)	10,021,027	10,021,027	-
Beneficial interest in perpetual trusts	<u>5,159,700</u>	<u>-</u>	<u>5,159,700</u>
	<u>\$ 28,053,087</u>	<u>\$ 14,445,267</u>	<u>\$ 13,607,820</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE E - CONTRIBUTIONS RECEIVABLE

Included in contributions receivable are the following unconditional promises to give:

	December 31,	
	2012	2011
Capital items	\$ 59,697	\$ 69,697
Unrestricted to future periods	<u>423,149</u>	<u>944,584</u>
Gross unconditional promises to give	482,846	1,014,281
Less: unamortized discount	(154,968)	(159,719)
Less: allowance for doubtful accounts	<u>-</u>	<u>(50,000)</u>
	<u>\$ 327,878</u>	<u>\$ 804,562</u>
Amounts due in		
Less than one year	\$ 38,031	
One to five years	26,666	
More than five years	<u>418,149</u>	
Total	<u>\$ 482,846</u>	

The interest rate used for discounting is 5%.

The Foundation periodically receives indications of an intention to give from individuals through the settlement of the individuals' estates. The anticipated value of these intended gifts has not been established, nor has it been recognized as an asset in the statements of financial position.

NOTE F - PROPERTY, PLANT, AND EQUIPMENT

	December 31,	
	2012	2011
Land	\$ 553,516	\$ 553,516
Land improvements	74,884	74,884
Buildings and building improvements	7,894,425	7,807,084
Furniture, fixtures, and equipment	415,170	4,595,323
Leasehold improvements	<u>-</u>	<u>154,808</u>
	8,937,995	13,185,615
Less: accumulated depreciation and amortization	<u>(4,148,849)</u>	<u>(8,164,312)</u>
	<u>\$ 4,789,146</u>	<u>\$ 5,021,303</u>

Depreciation expense was \$353,777 and \$335,666 for the years ended December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE F - PROPERTY, PLANT, AND EQUIPMENT - Continued

On October 1, 2010, the Foundation and Our Lady of Lourdes Healthcare Services, Inc. (OLLHS) signed a lease agreement for the second floor of the Cymrot building. As part of the agreement, beginning March 2011, in exchange for OLLHS covering the costs of certain building improvements, the Foundation has agreed to waive the minimum lease payment for a time equivalent to the amount of building improvement costs paid by OLLHS of \$299,650 (the "Lease Incentive"). The Foundation has recorded the Lease Incentive, included in prepaid expenses and other assets, and unrecognized deferred revenue, included in other liabilities, for the initial term of the lease. The Lease Incentive and the deferred revenue are being amortized on a straight-line basis until July 2014. The building improvements are being amortized over the lease term of ten years. Income recognized for the years ended December 31, 2012 and 2011 related to this lease was \$88,218 and \$73,515, respectively.

On October 1, 2011, the Foundation and the Center signed a lease agreement for the first and fourth floors of the Cymrot building. As part of the agreement, in exchange for the Center covering the costs of certain building improvements, the Foundation has agreed to waive the minimum lease payment for a time equivalent to the amount of building improvement costs paid by the Center of \$230,333 (the "Lease Incentive DHLC"). The Foundation has recorded the Lease Incentive DHLC, included in prepaid expenses and other assets, and deferred revenue, included in other liabilities, for the initial term of the lease. The Lease Incentive DHLC and the deferred revenue are being amortized on a straight-line basis until June 2023. The building improvements are being amortized over the expected lease term of fifteen years. Income recognized for the years ended December 31, 2012 and 2011 related to this lease was \$19,584 and \$4,896, respectively.

NOTE G - LONG-TERM DEBT

The Foundation has a \$1,690,000 note payable, and the outstanding balance on the note payable was \$1,600,610 and \$1,637,637 at December 31, 2012 and 2011, respectively. Interest on the note payable is variable, set at 5% at December 31, 2012 and 2011. This rate will adjust every 5 years (next adjustment 2015) to 3.00 percent over the 5-year United States Treasury Bill rate. The note is secured by property owned by the Foundation.

The Foundation has an agreement for a \$6,425,000 line of credit at an interest rate of LIBOR plus 2.5 percent, which includes two letters of credit totaling \$1,015,000 and \$1,425,000 at December 31, 2012 and 2011, respectively, which expire July 23, 2013, that are collateral for potential claims under the Center's workers' compensation insurance policy, benefiting the Center. Although the line of credit is in the Foundation's name, and collateralized by up to approximately \$6,500,000 of Foundation assets based on the outstanding balance, the liability and related interest expense are recorded on the Center's consolidated financial statements. As there was no outstanding balance on the line of credit at December 31, 2012 and 2011, these collateralized Foundation assets are included in investments.

Future Principal Payments

2013	\$ 39,188
2014	41,221
2015	43,360
2016	45,398
2017	47,966
Thereafter	<u>1,383,477</u>
	<u>\$ 1,600,610</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE H - RELATED ORGANIZATION

Contributions by the Foundation to the Center for operations amounted to \$4,510,599 and \$5,066,000 in 2012 and 2011, respectively. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to \$219,108 and \$218,290 in 2012 and 2011, respectively. The Center has an interest in assets held by the Foundation related to the Foundation's interest in perpetual trusts (Note B7), which is recorded as \$4,670,355 and \$4,228,469 at December 31, 2012 and 2011, respectively, as temporarily restricted net assets. Any future contributions from the Foundation to the Center are at the discretion of the Foundation's Board of Directors. The Foundation budgeted \$4,778,000 in Center support for 2013; however, the actual support received by the Center from the Foundation is expected to be less. The Foundation has pledged to provide its resources to the Center, as necessary, to allow the Center to fund its operations.

The Center financed an expansion project through the issuance of \$37,405,000 of Series 1993 tax-exempt revenue bonds. The Foundation provided several credit enhancements to the Center: a Subsidy Agreement related to the Series 1993 bonds and entering into a rent-free ground lease with the Center for a piece of land to be used by the Center. Under the Subsidy Agreement, the Foundation has guaranteed the principal and interest payments of the Center's Series 1993 bonds. Bond principal and/or sinking fund requirements range from \$875,000 to \$2,345,000 until 2023. Interest rates on the bonds range from 6.2 percent to 6.3 percent. The amount outstanding at December 31, 2012 and 2011 is \$18,885,000 and \$20,085,000, respectively. The Subsidy Agreement requires that the Foundation and Center maintain a certain combined financial ratio. The Center and Foundation have complied with the financial covenants related to the Series 1993 bonds at December 31, 2012 and 2011.

A summary of the Center's assets, liabilities and net assets (deficiency), results of operations, and changes in net assets (deficiency) is as follows:

	December 31,	
	2012	2011
Assets	<u>\$ 78,921,947</u>	<u>\$ 79,091,163</u>
Liabilities	\$ 89,762,372	\$ 89,143,765
Net assets (deficiency):		
Unrestricted	(18,620,252)	(17,386,563)
Temporarily restricted	<u>7,779,827</u>	<u>7,333,961</u>
Total liabilities and net assets (deficiency)	<u>\$ 78,921,947</u>	<u>\$ 79,091,163</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE H - RELATED ORGANIZATION - Continued

	Year ended December 31,	
	2012	2011
Revenue		
Net patient service revenue	\$ 140,484,882	\$ 135,932,929
Other revenue, gains and losses	<u>4,915,633</u>	<u>5,957,005</u>
Total revenue	145,400,515	141,889,934
Total expenses	<u>147,513,547</u>	<u>148,648,264</u>
Loss from operations	(2,113,032)	(6,758,330)
Nonoperating gains - contributions from the Foundation	<u>4,510,599</u>	<u>5,066,000</u>
Excess of (deficiency in) revenue and gains over expenses	2,397,567	(1,692,330)
Other changes in unrestricted net assets (deficiency), net	<u>(3,631,256)</u>	<u>(4,378,274)</u>
Change in unrestricted net assets (deficiency)	(1,233,689)	(6,070,604)
Change in temporarily restricted net assets	<u>445,866</u>	<u>(503,387)</u>
Net assets (deficiency), beginning of year	<u>(10,052,602)</u>	<u>(3,478,611)</u>
Net assets (deficiency), end of year	<u>\$ (10,840,425)</u>	<u>\$ (10,052,602)</u>

NOTE I - PENSION PLANS

The Foundation participates in a multi-employer defined benefit noncontributory pension plan (the Plan) covering substantially all Foundation employees, sponsored by the Center. The Center froze the Plan as of December 31, 2005. The Foundation contributed to the Center and recognized pension expense of \$106,593 and \$117,039 for the years ended December 31, 2012 and 2011, respectively.

The Foundation's employees participate in the Center's 401(k) savings plan. Employer contributions to the 401(k) savings plan are based on a formula as defined by the plan document. Expense related to the 401(k) savings plan was \$49,273 and \$42,258 for the years ended December 31, 2012 and 2011, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE J - FUNCTIONAL EXPENSES

Expenses incurred for the years ended December 31, 2012 and 2011 were for:

		Program Services			
	Total	The	Other specific	Management,	
	expenses	Center	purpose	administrative	Fundraising
			programs,	and general	
			including		
			Children of		
			the World		
2012					
Salaries, wages, and benefits	\$ 1,645,119	\$ -	\$ -	\$ 125,436	\$ 1,519,683
Contributions	4,729,707	4,510,599	219,108	-	-
Supplies and other expenses	1,410,845	-	-	60,599	1,350,246
Depreciation	353,777	-	-	21,227	332,550
(Recovery) for doubtful accounts	(26,574)	-	-	-	(26,574)
Total expenses	<u>\$ 8,112,874</u>	<u>\$ 4,510,599</u>	<u>\$ 219,108</u>	<u>\$ 207,262</u>	<u>\$ 3,175,905</u>
2011					
Salaries, wages, and benefits	\$ 1,876,255	\$ -	\$ -	\$ 408,327	\$ 1,467,928
Contributions	5,284,290	5,066,000	218,290	-	-
Supplies and other expenses	1,696,892	-	-	166,400	1,530,492
Depreciation	414,077	-	-	132,117	281,960
(Recovery) provision for doubtful accounts	(1,042,443)	-	-	556,587	(1,599,030)
Total expenses	<u>\$ 8,229,071</u>	<u>\$ 5,066,000</u>	<u>\$ 218,290</u>	<u>\$ 1,263,431</u>	<u>\$ 1,681,350</u>

NOTE K - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains a checking account with a local financial institution. The amounts in this account exceed Federal Depository Insurance Corporation limits. However, management believes that the Foundation is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

The Foundation invests its cash in money market funds through brokers. The money market funds are generally investments in U.S. Government and agency obligations. These investments are not insured or guaranteed; however, management believes that the credit risk is minimal.

NOTE L - NOTE RECEIVABLE

During 2011, the Foundation determined that its receivable from an unrelated entity was deemed to be uncollectible. Accordingly, the Foundation recorded charges of \$556,587 to the statement of activities, included in management, administrative and general expenses, for the year ended December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE M - SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2012 financial statements for subsequent events through April 26, 2013, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION



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**Report of Independent Certified Public Accountants
on Supplementary Information**

Board of Directors
Deborah Hospital Foundation

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in dark ink that reads "Grant Thornton LLP".

Philadelphia, Pennsylvania

April 26, 2013

Deborah Hospital Foundation

SUMMARY OF REVENUES BY REGION

Year ended December 31, 2012

	Total	National	Special Events	Pennsylvania	New York	New Jersey	Florida
Public chapter support							
Chapters and miscellaneous	\$ 2,075,848	\$ 1,337,592	\$ -	\$ 53,325	\$ 81,479	\$ 529,113	\$ 74,339
Tree of Life	68,185	-	-	3,375	4,185	45,908	14,717
Total public chapter support	2,144,033	1,337,592	-	56,700	85,664	575,021	89,056
Corporate and foundation support							
Special events	1,267,328	1,099,947	-	-	700	166,681	-
Legacies, bequests, and annuities	264,981	-	264,981	-	-	-	-
Less: amounts raised on behalf of others	2,384,636	-	-	40,842	-	2,343,794	-
	(1,406,274)	(1,406,274)	-	-	-	-	-
Total public support	4,654,704	1,031,265	264,981	97,542	86,364	3,085,496	89,056
Change in fair value of beneficial interest in perpetual trusts	235,462	235,462	-	-	-	-	-
Investment returns, net	1,557,869	1,557,869	-	-	-	-	-
Lease and other income	215,604	215,604	-	-	-	-	-
Total revenue	\$ 6,663,639	\$ 3,040,200	\$ 264,981	\$ 97,542	\$ 86,364	\$ 3,085,496	\$ 89,056

Deborah Hospital Foundation

SUMMARY OF REVENUES BY REGION

Year ended December 31, 2011

	Total	National	Special Events	Pennsylvania	New York	New Jersey	Florida
Public chapter support							
Chapters and miscellaneous	\$ 2,231,543	\$ 1,319,254	\$ -	\$ 63,687	\$ 245,002	\$ 513,250	\$ 90,350
Tree of Life	92,294	-	-	6,849	16,347	55,959	13,139
Total public chapter support	2,323,837	1,319,254	-	70,536	261,349	569,209	103,489
Corporate and foundation support							
Special events	1,328,919	1,183,619	-	9,480	6,966	127,579	1,275
Legacies, bequests, and annuities	483,093	-	483,093	-	-	-	-
Less: amounts raised on behalf of others	7,120,604	3,649,048	-	19,312	39,034	3,413,210	-
	(3,553,561)	(3,553,561)	-	-	-	-	-
Total public support	7,702,892	2,598,360	483,093	99,328	307,349	4,109,998	104,764
Change in fair value of beneficial interest in perpetual trusts	(342,719)	(342,719)	-	-	-	-	-
Investment returns, net	(136,837)	(136,837)	-	-	-	-	-
Lease and other income	156,822	156,822	-	-	-	-	-
Total revenue	\$ 7,380,158	\$ 2,275,626	\$ 483,093	\$ 99,328	\$ 307,349	\$ 4,109,998	\$ 104,764