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

**Deborah Hospital Foundation**

December 31, 2013 and 2012

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# Grant Thornton

## **Report of Independent Certified Public Accountants**

Board of Directors  
Deborah Hospital Foundation

We have audited the accompanying financial statements of Deborah Hospital Foundation, which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

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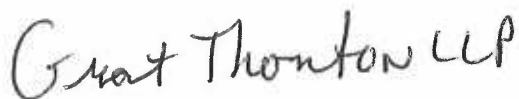
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**Opinion**

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, 2013 and 2012, 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.

**Supplementary information**

The accompanying summaries of revenues by region for the years ended December 31, 2013 and 2012 are presented for purposes of additional analysis and are 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 audits 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 black ink that reads "Grant Thornton LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania

April 21, 2014

Deborah Hospital Foundation

STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	2013	2012
Cash	\$ 679,336	\$ 467,324
Investments	18,967,286	16,320,945
Prepaid expenses and other assets	700,164	804,929
Assets restricted as to use:		
Annuity and life income	5,332,860	5,375,659
Donor restricted	2,083,032	684,500
Contributions receivable, net	2,373,077	327,878
Property, plant, and equipment, net	4,465,682	4,789,146
Beneficial interest in perpetual trusts	6,072,973	5,395,161
Total assets	<u>\$ 40,674,410</u>	<u>\$ 34,165,542</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 76,148	\$ 124,241
Accrued expenses	208,976	214,505
Due to Deborah Heart and Lung Center	4,429,369	3,037,024
Long-term debt	1,561,424	1,600,610
Deferred revenue	471,937	687,541
Annuity and life income reserve	3,810,443	4,249,070
Total liabilities	10,558,297	9,912,991
Net assets:		
Unrestricted	21,960,108	18,172,890
Temporarily restricted	8,156,005	6,079,661
Total net assets	<u>30,116,113</u>	<u>24,252,551</u>
Total liabilities and net assets	<u>\$ 40,674,410</u>	<u>\$ 34,165,542</u>

The accompanying notes are an integral part of these statements.

## Deborah Hospital Foundation

## STATEMENT OF ACTIVITIES

Year ended December 31, 2013

	Unrestricted	Temporarily restricted	Total
Revenue			
Public support			
Public chapter support	\$ 2,142,144	\$ -	\$ 2,142,144
Corporate and foundation support	564,117	3,833,295	4,397,412
Special events	390,659	1,056,250	1,446,909
Legacies, bequests, and annuities	4,782,772	3,118,355	7,901,127
Less: amounts raised on behalf of others	-	(6,609,368)	(6,609,368)
Total public support	7,879,692	1,398,532	9,278,224
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	-	677,812	677,812
Investment returns, net	4,184,628	-	4,184,628
Lease and other income	215,604	-	215,604
Total other revenue	4,400,232	677,812	5,078,044
Total revenue	12,279,924	2,076,344	14,356,268
Expenses			
Program services			
Deborah Heart and Lung Center	4,786,000	-	4,786,000
Other specific purpose programs, including Children of the World	222,106	-	222,106
Total program services	5,008,106	-	5,008,106
Supporting services			
Management, administrative and general	92,661	-	92,661
Fundraising	3,391,939	-	3,391,939
Total supporting services	3,484,600	-	3,484,600
Total expenses	8,492,706	-	8,492,706
Change in net assets	3,787,218	2,076,344	5,863,562
Net assets, beginning of year	18,172,890	6,079,661	24,252,551
Net assets, end of year	\$ 21,960,108	\$ 8,156,005	\$ 30,116,113

The accompanying notes are an integral part of this statement.

## 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

## STATEMENTS OF CASH FLOWS

Year ended December 31,

	2013	2012
Operating activities		
Change in net assets	\$ 5,863,562	\$ (1,449,235)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains on investments	(3,833,354)	(1,188,899)
Depreciation	370,222	353,777
Recovery for doubtful accounts	-	(26,574)
Change in fair value of beneficial interest in perpetual trusts	(677,812)	(235,461)
Lease in other income	(215,604)	(215,603)
Changes in certain assets and liabilities		
Contributions receivable	(2,045,199)	503,258
Prepaid expenses and other assets	104,765	137,493
Accounts payable	(48,093)	(168,747)
Accrued expenses	(5,529)	75,457
Due to Deborah Heart and Lung Center	1,392,345	1,410,641
Annuity and life income reserve	(438,627)	(338,415)
Net cash provided by (used in) operating activities	466,676	(1,142,308)
Investing activities		
Purchases of property, plant, and equipment	(46,758)	(121,620)
Change in investments, net	(168,720)	917,989
Net cash (used in) provided by investing activities	(215,478)	796,369
Financing activities		
Payments on long-term debt	(39,186)	(37,027)
Net cash used in financing activities	(39,186)	(37,027)
Increase (decrease) in cash	212,012	(382,966)
Cash, beginning of year	467,324	850,290
Cash, end of year	<u>\$ 679,336</u>	<u>\$ 467,324</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	<u>\$ 80,341</u>	<u>\$ 82,487</u>

The accompanying notes are an integral part of these statements.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

### 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 by-laws 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, 2013 and 2012

### 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.

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, 2013.

#### 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, 2013 and 2012

## 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. As of December 31, 2013, the Foundation's tax years ended December 31, 2010 through December 31, 2013 for federal tax jurisdiction remain open for examination.

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

	December 31,	
	2013	2012
Investments		
Cash and cash equivalents	\$ 667,873	\$ 1,165,135
Fixed income securities	3,125,992	4,119,560
Equity securities (including mutual funds)	15,127,200	10,981,605
Accrued interest receivable	<u>46,221</u>	<u>54,645</u>
Total	<u>\$ 18,967,286</u>	<u>\$ 16,320,945</u>
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	\$ 126,188	\$ 132,547
Fixed income securities	3,310,542	3,785,963
Equity securities (including mutual funds)	<u>1,896,130</u>	<u>1,457,149</u>
Total	<u>\$ 5,332,860</u>	<u>\$ 5,375,659</u>
Assets restricted as to use - donor restricted		
Cash and cash equivalents	\$ <u>2,083,032</u>	\$ <u>684,500</u>
Total	<u>\$ 2,083,032</u>	<u>\$ 684,500</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 binds 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, 2013 and 2012, 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 \$645,322 and \$233,296, respectively, for the annuity fund. In addition, the Foundation maintained \$525,555 and \$497,690 investments in excess of the life income fund liability at December 31, 2013 and 2012, respectively.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

## 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,	
	2013	2012
Interest and dividend income	\$ 351,274	\$ 368,970
Net realized gains on sales of investments	927,009	185,849
Change in net unrealized gains and losses on investments	<u>2,906,345</u>	<u>1,003,050</u>
Total investment returns	<u>\$ 4,184,628</u>	<u>\$ 1,557,869</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. In determining fair value, the Foundation uses the market approach, which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Foundation uses the fair value hierarchy to determine the fair value based on the following:

- Level 1 holdings use quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2 holdings use the following methods: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time), inputs other than quoted prices that are observable for the assets or liabilities (e.g., interest rates, yield curves volatilities, default rates, etc.), and inputs that are derived principally from or corroborated by other observable market data.
- Level 3 holdings use quoted market prices of the Foundation's beneficial interest in the underlying investments of the perpetual trust.

The following tables present the fair value hierarchy for the Foundation's financial assets measured at fair value on a recurring basis:

December 31, 2013	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 3,602,650	\$ 3,602,650	\$ -	\$ -
Fixed income securities	6,436,534	-	6,436,534	-
Equity securities (including mutual funds)	17,023,330	17,023,330	-	-
Beneficial interest in perpetual trust	<u>6,072,973</u>	<u>-</u>	<u>-</u>	<u>6,072,973</u>
	<u>\$ 33,135,487</u>	<u>\$ 20,625,980</u>	<u>\$ 6,436,534</u>	<u>\$ 6,072,973</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

## NOTE D - FAIR VALUE MEASUREMENTS - Continued

<u>December 31, 2012</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 2,504,151	\$ 2,504,151	\$ -	\$ -
Fixed income securities	7,905,523	-	7,905,523	-
Equity securities (including mutual funds)	12,438,754	12,438,754	-	-
Beneficial interest in perpetual trust	<u>5,395,161</u>	<u>-</u>	<u>-</u>	<u>5,395,161</u>
	<u>\$ 28,243,589</u>	<u>\$ 14,942,905</u>	<u>\$ 7,905,523</u>	<u>\$ 5,395,161</u>

The following table sets forth the change in the fair value of beneficial interest in perpetual trust measured using unobservable inputs (Level 3):

At December 31, 2011	\$ 5,159,700
Unrealized gains and losses	<u>235,461</u>
At December 31, 2012	5,395,161
Unrealized gains and losses	<u>677,812</u>
At December 31, 2013	<u>\$ 6,072,973</u>

## NOTE E - CONTRIBUTIONS RECEIVABLE

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

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Capital items	\$ -	\$ 59,697
Unrestricted to future periods	<u>2,523,537</u>	<u>423,149</u>
Gross unconditional promises to give	2,523,537	482,846
Less: unamortized discount	<u>(150,460)</u>	<u>(154,968)</u>
	<u>\$ 2,373,077</u>	<u>\$ 327,878</u>
Amounts due in		
Less than one year	\$ 2,125,000	
One to five years	-	
More than five years	<u>398,537</u>	
Total	<u>\$ 2,523,537</u>	

The interest rate used for discounting is 5%.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

## NOTE E - CONTRIBUTIONS RECEIVABLE - Continued

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,	
	2013	2012
Land	\$ 553,516	\$ 553,516
Land improvements	74,884	74,884
Buildings and building improvements	7,896,325	7,894,425
Furniture, fixtures, and equipment	<u>460,028</u>	<u>415,170</u>
	8,984,753	8,937,995
Less: accumulated depreciation	<u>(4,519,071)</u>	<u>(4,148,849)</u>
	<u>\$ 4,465,682</u>	<u>\$ 4,789,146</u>

Depreciation expense was \$370,222 and \$353,777 for the years ended December 31, 2013 and 2012, respectively.

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, 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, 2013 and 2012 related to this lease was \$88,218 each year.

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, 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, 2013 and 2012 related to this lease was \$19,584 each year.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

## NOTE G - LONG-TERM DEBT

The Foundation has a \$1,690,000 note payable, and the outstanding balance on the note payable was \$1,561,424 and \$1,600,610 at December 31, 2013 and 2012, respectively. Interest on the note payable is variable, set at 5.0% at December 31, 2013 and 2012. This rate will adjust every 5 years (next adjustment 2015) to 3.0% 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%, which includes two letters of credit totaling \$1,015,000 at both December 31, 2013 and 2012, which expire July 23, 2014, 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, 2013 and 2012, these collateralized Foundation assets are included in investments.

Future Principal Payments

2014	\$ 41,221
2015	43,360
2016	45,398
2017	47,966
2018	50,455
Thereafter	<u>1,333,024</u>
	<u>\$ 1,561,424</u>

## NOTE H - RELATED ORGANIZATION

Contributions by the Foundation to the Center for operations amounted to \$4,786,000 and \$4,510,599 in 2013 and 2012, respectively. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to \$222,106 and \$219,108 in 2013 and 2012, respectively. The Center has an interest in assets held by the Foundation related to the Foundation's interest in perpetual trusts (Note B6), which is recorded as \$6,784,006 and \$4,670,355 at December 31, 2013 and 2012, 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 \$4,780,000 in Center support for 2014; 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% to 6.3%. The amount outstanding at December 31, 2013 and 2012 is \$17,610,000 and \$18,885,000, 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, 2013 and 2012.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

## NOTE H - RELATED ORGANIZATION - Continued

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,	
	<u>2013</u>	<u>2012</u>
Assets	<u>\$ 85,511,157</u>	<u>\$ 78,921,947</u>
Liabilities	\$ 73,888,920	\$ 89,762,372
Net assets (deficiency):		
Unrestricted	1,676,139	(18,620,252)
Temporarily restricted	<u>9,946,098</u>	<u>7,779,827</u>
Total liabilities and net assets (deficiency)	<u>\$ 85,511,157</u>	<u>\$ 78,921,947</u>
	Year ended December 31,	
	<u>2013</u>	<u>2012</u>
Revenue		
Net patient service revenue	\$ 139,123,618	\$ 138,880,282
Other revenue, gains and losses	<u>17,372,613</u>	<u>6,520,233</u>
Total revenue	156,496,231	145,400,515
Total expenses	<u>150,921,595</u>	<u>147,513,547</u>
Income (loss) from operations	5,574,636	(2,113,032)
Nonoperating gains - contributions from the Foundation	<u>4,786,000</u>	<u>4,510,599</u>
Excess of revenue and gains over expenses	10,360,636	2,397,567
Other changes in unrestricted net assets (deficiency), net	<u>9,935,756</u>	<u>(3,631,256)</u>
Change in unrestricted net assets (deficiency)	20,296,392	(1,233,689)
Change in temporarily restricted net assets	<u>2,166,270</u>	<u>445,866</u>
Net assets (deficiency), beginning of year	<u>(10,840,425)</u>	<u>(10,052,602)</u>
Net assets (deficiency), end of year	<u>\$ 11,622,237</u>	<u>\$ (10,840,425)</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

## 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 \$175,702 and \$106,593 for the years ended December 31, 2013 and 2012, 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 \$39,059 and \$49,273 for the years ended December 31, 2013 and 2012, respectively.

## NOTE J - FUNCTIONAL EXPENSES

Expenses incurred for the years ended December 31, 2013 and 2012 were for:

		Program Services			
			Other specific purpose programs, including Children of the World	Management, administrative and general	Fundraising
<u>2013</u>	<u>Total expenses</u>	<u>The Center</u>			
Salaries, wages, and benefits	\$ 1,763,310	\$ -	\$ -	\$ 55,072	\$ 1,708,238
Contributions	5,008,106	4,786,000	222,106	-	-
Supplies and other expenses	1,351,068	-	-	26,482	1,324,586
Depreciation	<u>370,222</u>	<u>-</u>	<u>-</u>	<u>11,107</u>	<u>359,115</u>
Total expenses	<u>\$ 8,492,706</u>	<u>\$ 4,786,000</u>	<u>\$ 222,106</u>	<u>\$ 92,661</u>	<u>\$ 3,391,939</u>
<u>2012</u>					
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	<u>(26,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,574)</u>
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>

## 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.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2013 and 2012

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**NOTE K - CONCENTRATIONS OF CREDIT RISK - Continued**

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 - SUBSEQUENT EVENTS**

The Foundation evaluated its December 31, 2013 financial statements for subsequent events through April 21, 2014, 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.

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## SUPPLEMENTARY INFORMATION

Deborah Hospital Foundation

SUMMARY OF REVENUES BY REGION

Year ended December 31, 2013

	Total	National	Special Events	Pennsylvania	New York	New Jersey	Florida
Public chapter support							
Chapters and miscellaneous	\$ 2,040,912	\$ 1,403,969	\$ -	\$ 36,340	\$ 93,138	\$ 452,817	\$ 54,648
Tree of Life	101,232	-	-	3,209	3,124	85,638	9,261
Total public chapter support	2,142,144	1,403,969	-	39,549	96,262	538,455	63,909
Corporate and foundation support							
Special events	4,397,412	4,171,153	-	500	50	225,709	-
Legacies, bequests, and annuities	1,446,909	-	1,446,909	-	-	-	-
Less: amounts raised on behalf of others	7,901,127	-	-	34,556	-	7,866,571	-
	(6,609,368)	(6,609,368)	-	-	-	-	-
Total public support	9,278,224	(1,034,246)	1,446,909	74,605	96,312	8,630,735	63,909
Change in fair value of beneficial interest in perpetual trusts							
Investment returns, net	677,812	677,812	-	-	-	-	-
Lease and other income	4,184,628	4,184,628	-	-	-	-	-
	215,604	215,604	-	-	-	-	-
Total revenue	\$ 14,356,268	\$ 4,043,798	\$ 1,446,909	\$ 74,605	\$ 96,312	\$ 8,630,735	\$ 63,909

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	2,384,638	-	-	40,844	-	2,343,794	-
	(1,406,274)	(1,406,274)	-	-	-	-	-
Total public support	4,654,706	1,031,265	264,981	97,544	86,364	3,085,496	89,056
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 revenue	\$ 6,663,639	\$ 3,040,198	\$ 264,981	\$ 97,544	\$ 86,364	\$ 3,085,496	\$ 89,056