



DEBORAH HOSPITAL FOUNDATION

Financial Statements

December 31, 2014 and 2013

With Independent Auditors' Report

**Deborah Hospital Foundation
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December 31, 2014 and 2013**

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Independent Auditors' Report

Board of Directors
Deborah Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Deborah Hospital Foundation, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Prior Year Financial Statements Audited by Other Auditor

The financial statements of Deborah Hospital Foundation for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on April 21, 2014.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary summary of revenues by region for the year ended December 31, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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, including comparing and reconciling such 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary summary of revenues by region for the year ended December 31, 2013 was subjected to the auditing procedures applied in the 2013 audit of the basic financial statements, which was audited by other auditors, whose report on such supplementary information stated that the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

William Smith + Brown, PC

May 19, 2015

Deborah Hospital Foundation
Statements of Financial Position
As of December 31, 2014 and 2013

Assets	2014	2013
Cash	\$ 638,887	\$ 679,336
Investments	14,440,692	18,967,286
Prepaid expenses and other assets	665,154	700,164
Assets restricted as to use:		
Annuity and life income	5,074,861	5,332,860
Donor restricted	937,287	2,083,032
Contributions receivable, net	3,282,425	2,373,077
Property, plant, and equipment, net	4,186,216	4,465,682
Beneficial interest in perpetual trusts	<u>6,068,883</u>	<u>6,072,973</u>
 Total assets	 <u>\$ 35,294,405</u>	 <u>\$ 40,674,410</u>
 Liabilities and Net Assets		
Accounts payable	\$ 77,808	\$ 76,148
Accrued expenses	99,474	208,976
Due to Deborah Heart and Lung Center	2,440,402	4,429,369
Long-term debt	--	1,561,424
Deferred revenue	333,370	471,937
Annuity and life income reserve	<u>3,681,996</u>	<u>3,810,443</u>
 Total liabilities	 6,633,050	 10,558,297
 Net assets		
Unrestricted	21,655,185	21,960,108
Temporarily restricted	<u>7,006,170</u>	<u>8,156,005</u>
 Total net assets	 <u>28,661,355</u>	 <u>30,116,113</u>
 Total liabilities and net assets	 <u>\$ 35,294,405</u>	 <u>\$ 40,674,410</u>

The Notes to the Financial Statements are an integral part of these statements.

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 2,365,055	\$ 2,204,538	\$ 4,569,593
Special events	221,728	--	221,728
Legacies, bequests, and annuities	3,617,848	7,771,677	11,389,525
Less: amounts raised on behalf of others	--	(11,121,960)	(11,121,960)
Total public support	<u>6,204,631</u>	<u>(1,145,745)</u>	<u>5,058,886</u>
Other revenue (loss)			
Change in fair value of beneficial interest in perpetual trusts	--	(4,090)	(4,090)
Investment returns, net	1,041,071	--	1,041,071
Lease and other income	138,566	--	138,566
Total other revenue	<u>1,179,637</u>	<u>(4,090)</u>	<u>1,175,547</u>
Total revenue	7,384,268	(1,149,835)	6,234,433
Expenses			
Program services			
Deborah Heart and Lung Center	5,340,000	--	5,340,000
Other specific purpose programs, including Children of the World	231,873	--	231,873
Total program services	<u>5,571,873</u>	<u>--</u>	<u>5,571,873</u>
Supporting services			
Management, administrative and general	143,262	--	143,262
Fundraising	1,974,056	--	1,974,056
Total supporting services	<u>2,117,318</u>	<u>--</u>	<u>2,117,318</u>
Total expenses	<u>7,689,191</u>	<u>--</u>	<u>7,689,191</u>
Change in net assets	(304,923)	(1,149,835)	(1,454,758)
Net assets, beginning of year	<u>21,960,108</u>	<u>8,156,005</u>	<u>30,116,113</u>
Net assets, end of year	<u>\$21,655,185</u>	<u>\$ 7,006,170</u>	<u>\$ 28,661,355</u>

The Notes to the Financial Statements are an integral part of this statement.

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 2,706,261	\$ 3,833,295	\$ 6,539,556
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	<u>7,879,692</u>	<u>1,398,532</u>	<u>9,278,224</u>
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	<u>4,400,232</u>	<u>677,812</u>	<u>5,078,044</u>
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	<u>5,008,106</u>	<u>--</u>	<u>5,008,106</u>
Supporting services			
Management, administrative and general	92,661	--	92,661
Fundraising	3,391,939	--	3,391,939
Total supporting services	<u>3,484,600</u>	<u>--</u>	<u>3,484,600</u>
Total expenses	<u>8,492,706</u>	<u>--</u>	<u>8,492,706</u>
Change in net assets	3,787,218	2,076,344	5,863,562
Net assets, beginning of year	<u>18,172,890</u>	<u>6,079,661</u>	<u>24,252,551</u>
Net assets, end of year	<u>\$ 21,960,108</u>	<u>\$ 8,156,005</u>	<u>\$ 30,116,113</u>

The Notes to the Financial Statements are an integral part of this statement.

Deborah Hospital Foundation
Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Changes in net assets	\$ (1,454,758)	\$ 5,863,562
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized gains on investments	(681,613)	(3,833,354)
Depreciation	360,129	370,222
Lease income	69,283	107,802
Change in beneficial interest in perpetual trusts	4,090	(677,812)
Change in deferred revenue	(138,567)	(215,604)
Changes in operating assets and liabilities:		
Contributions receivable	(909,348)	(2,045,199)
Prepaid expenses and other assets	(34,273)	(3,037)
Accounts payable	1,660	(48,093)
Accrued expenses	(109,502)	(5,529)
Due to Deborah Heart and Lung Center	(1,988,967)	1,392,345
Annuity and life income reserve	(128,447)	(438,627)
Net cash (used in) provided by operating activities	(5,010,313)	466,676
Cash flows from investing activities		
Purchases of property, plant, and equipment	(80,663)	(46,758)
Change in investments and assets restricted as to use, net	6,611,951	(168,720)
Net cash provided by (used in) investing activities	6,531,288	(215,478)
Cash flows from financing activities		
Payments on long-term debt	(1,561,424)	(39,186)
Net cash used in financing activities	(1,561,424)	(39,186)
(Decrease) increase in cash	(40,449)	212,012
Cash, beginning of year	679,336	467,324
Cash, end of year	\$ 638,887	\$ 679,336
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 37,207	\$ 80,341

The Notes to the Financial Statements are an integral part of these statements.

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

1. 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.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets which are defined as follows:

- Unrestricted net assets – net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met by actions of the Foundation or by the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed stipulations that will not be met by action of the Foundation or by the passage of time. The donors of these resources permit the Foundation to use all or part of the income earned, including capital appreciation, from the related investments for unrestricted or temporarily restricted purposes. There were no permanently restricted net assets at December 31, 2014 and 2013.

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.

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.

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

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.

Investments and Assets Restricted as to Use

Investments in debt and equity securities are measured at fair value based on quoted market prices, if available, or estimated quoted market prices for similar securities. 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.

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.

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. When considered necessary, an allowance is recorded based on management's estimate of uncollectability including such factors as prior collection history, type of contribution and the nature of the fundraising activity. Contribution receivables were considered collectible at December 31, 2014 and 2013, and as such, no allowance for uncollectible contributions receivable was recorded.

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, 2014 and 2013.

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.

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.

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.

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

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, 2014, the Foundation's tax years ended December 31, 2011 through December 31, 2014 for federal tax jurisdiction remain open for examination. In addition, there have been no tax related interest or penalties for the period presented in these financial statements. Should any such penalties be incurred, the Foundation's policy would be to recognize them as operating expenses.

Reclassifications

Certain reclassifications have been made to the accompanying 2013 financial statements in order to conform to the 2014 presentation. These reclassifications had no effect on the net assets of the Foundation.

3. Investments and Assets Restricted As To Use

	2014	2013
Investments		
Cash and cash equivalents	\$ 519,966	\$ 667,873
Fixed income securities	2,982,152	3,125,992
Equity securities (including mutual funds)	10,894,972	15,127,200
Accrued interest receivable	<u>43,602</u>	<u>46,221</u>
Total	<u>\$ 14,440,692</u>	<u>\$ 18,967,286</u>
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	\$ 127,200	\$ 126,188
Fixed income securities	3,331,448	3,310,542
Equity securities (including mutual funds)	<u>1,616,213</u>	<u>1,896,130</u>
Total	<u>\$ 5,074,861</u>	<u>\$ 5,332,860</u>
Assets restricted as to use - donor restricted		
Cash and cash equivalents	<u>\$ 937,287</u>	<u>\$ 2,083,032</u>
Total	<u>\$ 937,287</u>	<u>\$ 2,083,032</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, 2014 and 2013, 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 \$504,457 and \$645,322, respectively, for the annuity fund. In addition, the Foundation maintained \$549,812 and \$525,555 investments in excess of the life income fund liability at December 31, 2014 and 2013, respectively.

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

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

	2014	2013
Interest and dividend income	\$ 359,458	\$ 351,274
Net realized gains on sales of investments	2,694,386	927,009
Change in net unrealized gains and losses on investments	<u>(2,012,773)</u>	<u>2,906,345</u>
Total investment returns	<u>\$ 1,041,071</u>	<u>\$ 4,184,628</u>

4. 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.

There have been no changes in valuation techniques for these assets for the years ended December 31, 2014 and 2013.

The following tables present the fair value hierarchy for the Foundation's financial assets measured at fair value on a recurring basis as of December 31, 2014 and 2013:

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,223,341	\$ --	\$ --	\$ 2,223,341
Fixed income securities	--	6,357,201	--	6,357,201
Equity securities (including mutual funds)	12,511,185	--	--	12,511,185
Beneficial interest in perpetual trust	<u>--</u>	<u>--</u>	<u>6,068,883</u>	<u>6,068,883</u>
Total	<u>\$ 14,734,526</u>	<u>\$ 6,357,201</u>	<u>\$ 6,068,883</u>	<u>\$ 27,160,610</u>

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	--	--	6,072,973	6,072,973
Total	<u>\$ 20,625,980</u>	<u>\$ 6,436,534</u>	<u>\$ 6,072,973</u>	<u>\$ 33,135,487</u>

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

At December 31, 2012	\$ 5,395,161
Unrealized gains	<u>677,812</u>
	6,072,973
At December 31, 2013	
Unrealized losses	<u>(4,090)</u>
At December 31, 2014	<u>\$ 6,068,883</u>

5. Contributions Receivable

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

	2014	2013
Unrestricted to future periods	\$ 3,432,885	\$ 2,523,537
Less: unamortized discount	<u>(150,460)</u>	<u>(150,460)</u>
	<u>\$ 3,282,425</u>	<u>\$ 2,373,077</u>
Amounts due in		
Less than one year	\$ 3,034,348	
One to five years	--	
More than five years	<u>398,537</u>	
Total	<u>\$ 3,432,885</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.

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

6. Property, Plant, and Equipment

	Depreciable Lives	2014	2013
Land		\$ 553,516	\$ 553,516
Land improvements	10 – 20 years	74,884	74,884
Buildings and building improvements	5 – 40 years	7,896,325	7,896,325
Furniture, fixtures, and equipment	3 – 20 years	<u>540,691</u>	<u>460,028</u>
		9,065,416	8,984,753
Less: accumulated depreciation		<u>(4,879,200)</u>	<u>(4,519,071)</u>
		<u>\$ 4,186,216</u>	<u>\$ 4,465,682</u>

Depreciation expense was \$360,129 and \$370,222 for the years ended December 31, 2014 and 2013, 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 were 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, 2014 and 2013 related to this lease was \$49,699 and \$88,218, 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, 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, 2014 and 2013 related to this lease was \$19,584 each year.

7. Long-Term Debt

The Foundation had a \$1,690,000 note payable, and the outstanding balance on the note payable was \$1,561,424 at December 31, 2013. Interest on the note payable was variable, set at 5.0% at December 31, 2013. This rate adjusted every 5 years to 3.0% over the 5-year United States Treasury Bill rate. Interest expense for the years ended December 31, 2014 and 2013 amount to \$37,207 and \$80,341, respectively. The note was secured by property owned by the Foundation. This note was paid in full during the year ended December 31, 2014.

The Foundation has an agreement for a \$6,425,000 line of credit at an interest rate of LIBOR plus 2.25%, which includes two letters of credit totaling \$730,000 and \$1,015,000 at December 31, 2014 and 2013 respectively, which expire July 23, 2015, 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. There was no outstanding balance on the line of credit at December 31, 2014 and 2013.

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

8. Related Organization

Contributions by the Foundation to the Center for operations amounted to \$5,340,000 and \$4,786,000 in 2014 and 2013, respectively. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to \$231,873 and \$222,106 in 2014 and 2013, respectively. The Center has an interest in assets held by the Foundation related to the Foundation's interest in perpetual trusts, which is recorded as \$5,827,737 and \$6,784,006 at December 31, 2014 and 2013, 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 \$6,585,000 in Center support for 2015. 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. Interest rates on the bonds ranged from 6.2% to 6.3%. The amount outstanding at December 31, 2013 was \$17,610,000.

In 2014 a new series of bonds was issued to refund and redeem the remaining 1993 issue. The Series 2014 bonds were issued on May 13, 2014 in the amount of \$16,148,000. The principal of bonds mature and/or sinking fund installments become due on July 1 of each year until 2023. Annual payments of bond principal and/or sinking fund requirements range from \$1,790,000 to \$2,004,000. The interest rate on the bonds is 4.28% and is due on January 1 and July 1 of each year. 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 bonds. 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 2014 and 2013 bonds at December 31, 2014 and 2013, respectively.

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

	2014	2013
Assets	<u>\$ 93,102,109</u>	<u>\$ 85,511,157</u>
Liabilities	\$ 75,926,157	\$ 73,888,920
Net assets:		
Unrestricted	8,817,772	1,676,139
Temporarily restricted	<u>8,358,180</u>	<u>9,946,098</u>
Total liabilities and net assets	<u>\$ 93,102,109</u>	<u>\$ 85,511,157</u>
Revenue		
Net patient service revenue	\$ 149,473,752	\$ 139,123,618
Other revenue, gains and losses	<u>16,234,765</u>	<u>17,372,613</u>
Total revenue	165,708,517	156,496,231
Total expenses	<u>159,615,507</u>	<u>150,921,595</u>
Income from operations	6,093,010	5,574,636

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

Nonoperating gains		
Contributions from the Foundation	\$ 5,340,000	\$ 4,786,000
Gain on early extinguishment of debt	57,769	--
Excess of revenue and gains over expenses	11,490,779	10,360,636
Other changes in unrestricted net assets, net	(4,349,145)	9,935,756
Change in unrestricted net assets	7,141,634	20,296,392
Change in temporarily restricted net assets	(1,587,919)	2,166,270
Net assets (deficiency), beginning of year	11,622,237	(10,840,425)
Net assets, end of year	\$ 17,175,952	\$ 11,622,237

9. Pension Plans

The Foundation participates in a 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 \$47,409 and \$175,702 for the years ended December 31, 2014 and 2013, 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 \$20,803 and \$39,059 for the years ended December 31, 2014 and 2013, respectively.

10. Functional Expenses

Expenses incurred for the years ended December 31, 2014 and 2013 were for:

	Program Services					Total Expenses
	The Center	Other Specific Purpose Programs, Including Children of the World	Management, Administrative and General	Fundraising		
2014						
Salaries, wages, and benefits	\$ --	\$ --	\$ 57,728	\$ 762,355	\$ 820,083	
Contributions	5,340,000	231,873	--	--	5,571,873	
Supplies and other expenses	--	--	60,325	876,781	937,106	
Depreciation	--	--	25,209	334,920	360,129	
Total expenses	\$ 5,340,000	\$ 231,873	\$ 143,262	\$ 1,974,056	\$ 7,689,191	
2013						
Salaries, wages, and benefits	\$ --	\$ --	\$ 55,072	\$ 1,708,238	\$ 1,763,310	
Contributions	4,786,000	222,106	--	--	5,008,106	
Supplies and other expenses	--	--	26,482	1,324,586	1,351,068	
Depreciation	--	--	11,107	359,115	370,222	
Total expenses	\$ 4,786,000	\$ 222,106	\$ 92,661	\$ 3,391,939	\$ 8,492,706	

11. Concentration 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.

Deborah Hospital Foundation
Notes to Financial Statements
Years Ended December 31, 2014 and 2013

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.

12. Subsequent Events

The Foundation evaluated its December 31, 2014 financial statements for subsequent events through May 19, 2015, 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

Deborah Hospital Foundation
Summary of Revenues by Region
Year Ended December 31, 2014

	<u>Total</u>	<u>National</u>	<u>Special Events</u>	<u>Pennsylvania</u>	<u>New York</u>	<u>New Jersey</u>	<u>Florida</u>
Public chapter support							
Chapters and miscellaneous	\$ 2,843,321	\$ 2,237,526	\$ --	\$ 25,536	\$ 98,773	\$ 388,641	\$ 92,845
Tree of Life	81,626	--	--	5,984	6,746	62,686	6,210
Total public chapter support	2,924,947	2,237,526	--	31,520	105,519	451,327	99,055
Corporate and foundation support	1,644,646	1,437,126	--	400	168	206,952	--
Special events	221,728	--	221,728	--	--	--	--
Legacies, bequests, and annuities	11,389,525	2,785,491	--	24,771	--	8,579,263	--
Less: amounts raised on behalf of others	(11,121,960)	(11,121,960)	--	--	--	--	--
Total public support	5,058,886	(4,661,817)	221,728	56,691	105,687	9,237,542	99,055
Change in fair value of beneficial interest in perpetual trusts	(4,090)	(4,090)	--	--	--	--	--
Investment returns, net	1,041,071	1,041,071	--	--	--	--	--
Lease and other income	138,566	138,566	--	--	--	--	--
Total revenue	<u>\$ 6,234,433</u>	<u>\$ (3,486,270)</u>	<u>\$ 221,728</u>	<u>\$ 56,691</u>	<u>\$ 105,687</u>	<u>\$ 9,237,542</u>	<u>\$ 99,055</u>

See Independent Auditors' Report.

Deborah Hospital Foundation
Summary of Revenues by Region
Year Ended December 31, 2013

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

See Independent Auditors' Report.