

**DEBORAH HOSPITAL FOUNDATION**  
**Financial Statements**  
**December 31, 2016 and 2015**  
**With Independent Auditors' Reports**

<b>TABLE OF CONTENTS</b>	
Independent Auditors' Report	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-16
<b>Supplementary Information</b>	
Summary of Revenues by Region	17-18

## 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 statements of financial position as of December 31, 2016 and 2015, 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.

### Auditors' 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 audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary summary of revenues by region for the years ended December 31, 2016 and 2015 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.

*Withum Smith + Brown, PC*

May 26, 2017

**Deborah Hospital Foundation**  
**Statements of Financial Position**  
**As of December 31, 2016 and 2015**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 527,456	\$ 832,666
Investments	14,198,673	13,683,673
Prepaid expenses and other assets	380,330	666,542
Assets restricted as to use:		
Annuity and life income	4,423,172	4,783,330
Donor restricted	1,268,691	1,283,470
Contributions receivable	1,876,404	479,170
Property, plant and equipment, net	3,789,749	4,025,767
Beneficial interest in perpetual trusts	<u>5,646,674</u>	<u>5,554,347</u>
 Total assets	 <u>\$ 32,111,149</u>	 <u>\$ 31,308,965</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 119,153	\$ 52,091
Accrued expenses	107,150	120,817
Due to Deborah Heart and Lung Center	4,040,115	2,529,252
Deferred revenue	--	294,202
Annuity and life income reserve	<u>2,694,773</u>	<u>3,134,941</u>
 Total liabilities	 6,961,191	 6,131,303
Net assets		
Unrestricted net assets	18,234,592	18,339,845
Temporarily restricted net assets	<u>6,915,366</u>	<u>6,837,817</u>
 Total net assets	 <u>25,149,958</u>	 <u>25,177,662</u>
 Total liabilities and net assets	 <u>\$ 32,111,149</u>	 <u>\$ 31,308,965</u>

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

**Deborah Hospital Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 1,972,651	\$ 1,055,503	\$ 3,028,154
Special events	22,644	--	22,644
Legacies, bequests, and annuities	5,001,182	4,968,332	9,969,514
Less: amounts raised on behalf of others	--	(6,038,613)	(6,038,613)
Total public support	<u>6,996,477</u>	<u>(14,778)</u>	<u>6,981,699</u>
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	--	92,327	92,327
Investment returns, net	791,681	--	791,681
Lease and other income	147,100	--	147,100
Total other revenue	<u>938,781</u>	<u>92,327</u>	<u>1,031,108</u>
Total revenue	7,935,258	77,549	8,012,807
Expenses			
Program services			
Deborah Heart and Lung Center	5,676,996	--	5,676,996
Other specific purpose programs, including Children of the World	200,424	--	200,424
Total program services	<u>5,877,420</u>	<u>--</u>	<u>5,877,420</u>
Supporting services			
Management, administrative and general	113,035	--	113,035
Fundraising	2,050,056	--	2,050,056
Total supporting services	<u>2,163,091</u>	<u>--</u>	<u>2,163,091</u>
Total expenses	<u>8,040,511</u>	<u>--</u>	<u>8,040,511</u>
Change in net assets	(105,253)	77,549	(27,704)
Net assets, beginning of year	<u>18,339,845</u>	<u>6,837,817</u>	<u>25,177,662</u>
Net assets, end of year	<u>\$ 18,234,592</u>	<u>\$ 6,915,366</u>	<u>\$ 25,149,958</u>

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

**Deborah Hospital Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 2,540,228	\$ 1,030,152	\$ 3,570,380
Special events	403,444	--	403,444
Legacies, bequests, and annuities	2,794,315	4,157,102	6,951,417
Less: amounts raised on behalf of others	--	(4,841,071)	(4,841,071)
Total public support	<u>5,737,987</u>	<u>346,183</u>	<u>6,084,170</u>
Other revenue (loss)			
Change in fair value of beneficial interest in perpetual trusts	--	(514,536)	(514,536)
Investment returns, net	(118,498)	--	(118,498)
Lease and other income	39,168	--	39,168
Total other revenue (loss)	<u>(79,330)</u>	<u>(514,536)</u>	<u>(593,866)</u>
Total revenue	5,658,657	(168,353)	5,490,304
Expenses			
Program services			
Deborah Heart and Lung Center	6,585,000	--	6,585,000
Other specific purpose programs, including Children of the World	246,618	--	246,618
Total program services	<u>6,831,618</u>	<u>--</u>	<u>6,831,618</u>
Supporting services			
Management, administrative and general	123,456	--	123,456
Fundraising	2,018,923	--	2,018,923
Total supporting services	<u>2,142,379</u>	<u>--</u>	<u>2,142,379</u>
Total expenses	<u>8,973,997</u>	<u>--</u>	<u>8,973,997</u>
Change in net assets	(3,315,340)	(168,353)	(3,483,693)
Net assets, beginning of year	<u>21,655,185</u>	<u>7,006,170</u>	<u>28,661,355</u>
Net assets, end of year	<u>\$ 18,339,845</u>	<u>\$ 6,837,817</u>	<u>\$ 25,177,662</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, 2016 and 2015**

---

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (27,704)	\$ (3,483,693)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(501,136)	413,512
Depreciation	322,306	346,704
Deferred lease incentive	147,100	19,584
Change in beneficial interest in perpetual trusts	(92,327)	514,536
Change in deferred revenues	(294,202)	(39,168)
Changes in operating assets and liabilities:		
Contributions receivable	(1,397,234)	2,803,255
Prepaid expense and other assets	139,112	(20,972)
Accounts payable	67,062	(25,717)
Accrued expenses	(13,667)	21,343
Due to Deborah Heart and Lung Center	1,510,863	88,850
Annuity and life income reserve	(440,168)	(547,055)
	<hr/>	<hr/>
Net cash (used in) provided by operating activities	(579,995)	91,179
Cash flows from investing activities		
Purchases of property, plant and equipment	(86,288)	(186,255)
Change in investments and assets restricted as to use	361,073	288,855
	<hr/>	<hr/>
Net cash provided by investing activities	274,785	102,600
(Decrease) increase in cash	(305,210)	193,779
Cash, beginning of period	832,666	638,887
	<hr/>	<hr/>
Cash, end of period	\$ 527,456	\$ 832,666
	<hr/> <hr/>	<hr/> <hr/>

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



**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

---

**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.

The Foundation's Board of Directors currently consists of fifteen (15) members. They are the Chair of the Board of the Foundation, the President and CEO of the Center and thirteen (13) other members. The Chief Operating Officer of the Center serves as the Treasurer of the Foundation, without a vote.

**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, 2016 and 2015.

**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.

**Cash Equivalents**

The Foundation considers all highly liquid debt instruments and certificates of deposit with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2016 and 2015.

**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

---

**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. 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.

**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.

**Impairment of Investments**

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of investments below cost will be considered other than temporary. There were no such losses reported for the years ended December 31, 2016 and 2015.

**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. Contributions receivable were considered collectible at December 31, 2016 and 2015, 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, 2016 and 2015.

**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

---

**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 includes 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.

**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. In addition, there have been no tax related interest or penalties for the periods presented in these financial statements. Should any such penalties be incurred, the Foundation's policy would be to recognize them as operating expenses.

**New Accounting Pronouncements Not Yet Adopted**

*Revenue Recognition*

Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers was issued by the Financial Accounting Standards Board ("FASB") in May 2014 which is effective for fiscal year beginning after December 15, 2019 with early adoption permitted. The new revenue accounting standard requires recognition of revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods or services. The new standard supersedes all U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgments than the present standards. It also requires significant additional disclosures. The new requirements have not been adopted in these financial statements. Management is currently assessing the impact of this pronouncement on prospective financial statements. However, upon adoption, management does not expect this pronouncement to have a material effect on the financial statements.

**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

---

*Lease Transactions*

In February 2016 the FASB issued ASU 2016-02, Leases which is effective for fiscal years beginning after December 15, 2020 with early adoption permitted. In addition to expanded disclosure requirements regarding leasing activities, the new standard significantly changes current lessee accounting for operating leases. Under the new standard all lessees will be required to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases of property and equipment, except for certain leases classified as short-term leases. The Foundation has not adopted the new standard in these financial statements and is presently evaluating the effect adoption will have on prospective financial statements. However, based on the Foundation's present leasing activities, management expects that adoption of the new standard will require the recognition of significant, long-term right-of-use assets and a lease liability which will increase both current and non-current debt.

In August 2016 the FASB issued ASU 2016-14 – Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-profit Entities. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor's restrictions at the time the asset is placed in service. The ASU also changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Foundation is currently evaluating the impact these changes will have on its future financial statements.

**3. INVESTMENTS AND ASSETS RESTRICTED AS TO USE**

	<b>2016</b>	<b>2015</b>
Investments		
Cash and cash equivalents	\$ 374,249	\$ 521,794
Fixed income securities	3,564,606	3,448,507
Equity securities (including mutual funds)	10,211,919	9,665,108
Accrued interest receivable	<u>47,899</u>	<u>48,264</u>
Total	<u>\$ 14,198,673</u>	<u>\$ 13,683,673</u>
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	\$ 72,371	\$ 94,071
Fixed income securities	2,929,908	3,231,649
Equity securities (including mutual funds)	<u>1,420,893</u>	<u>1,457,610</u>
Total	<u>\$ 4,423,172</u>	<u>\$ 4,783,330</u>
Assets restricted as to use - donor restricted		
Cash and cash equivalents	<u>\$ 1,268,691</u>	<u>\$ 1,283,470</u>

**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

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, 2016 and 2015, 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 \$952,632 and \$852,201, respectively, for the annuity fund. In addition, the Foundation maintained \$556,236 and \$548,812 in investments in excess of the life income fund liability at December 31, 2016 and 2015, respectively.

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

	2016	2015
Interest and dividend income	\$ 290,545	\$ 295,014
Net realized gains on sales of investments	304,152	635,046
Change in net unrealized gains and (losses) on investments	<u>196,984</u>	<u>(1,048,558)</u>
Total investment returns	<u>\$ 791,681</u>	<u>\$ (118,498)</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, 2016 and 2015.

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, 2016 and 2015:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,242,767	\$ --	\$ --	\$ 2,242,767
Fixed income securities	--	6,542,413	--	6,542,413
Equity securities (including mutual funds)	11,251,860	380,952	--	11,632,812
Beneficial interest in perpetual trusts	<u>--</u>	<u>--</u>	<u>5,646,674</u>	<u>5,646,674</u>
Total	<u>\$ 13,494,627</u>	<u>\$ 6,923,365</u>	<u>\$ 5,646,674</u>	<u>\$ 26,064,666</u>

**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,732,001	\$ --	\$ --	\$ 2,732,001
Fixed income securities	--	6,728,420	--	6,728,420
Equity securities (including mutual funds)	11,122,718	--	--	11,122,718
Beneficial interest in perpetual trusts	<u>--</u>	<u>--</u>	<u>5,554,347</u>	<u>5,554,347</u>
Total	<u>\$ 13,854,719</u>	<u>\$ 6,728,420</u>	<u>\$ 5,554,347</u>	<u>\$ 26,137,486</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 January 1, 2015	\$ 6,068,883
Unrealized losses	<u>(514,536)</u>
At December 31, 2015	5,554,347
Unrealized gains	<u>92,327</u>
At December 31, 2016	<u>\$ 5,646,674</u>

**5. CONTRIBUTIONS RECEIVABLE**

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

	<b>2016</b>	<b>2015</b>
Unrestricted to future periods	\$ 1,993,526	\$ 629,630
Less: unamortized discount	<u>117,122</u>	<u>150,460</u>
	<u>\$ 1,876,404</u>	<u>\$ 479,170</u>
Amounts due in		
Less than one year	\$ 1,666,653	
One to five years	--	
More than five years	<u>326,873</u>	
Total	<u>\$ 1,993,526</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, 2016 and 2015**

---

**6. PROPERTY, PLANT AND EQUIPMENT**

	Depreciable Lives	2016	2015
Land		\$ 553,516	\$ 553,516
Land improvements	10 – 20 years	74,884	74,884
Buildings and building improvements	5 – 40 years	8,102,388	8,080,288
Furniture, fixtures, and equipment	3 – 20 years	591,351	542,983
Construction in progress		<u>15,820</u>	<u>–</u>
		9,337,959	9,251,671
Less: accumulated depreciation		<u>5,548,210</u>	<u>5,225,904</u>
		<u>\$ 3,789,749</u>	<u>\$ 4,025,767</u>

Depreciation expense was \$322,306 and \$346,704 for the years ended December 31, 2016 and 2015, 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 were scheduled to be amortized on a straight-line basis until June 2023. In 2016 the Center stopped using the building and the Foundation wrote off the balance of the lease incentive. This resulted in a gain to the Foundation in the amount of \$147,100. The building improvements were being amortized over the expected lease term of fifteen years. Income, including the gain on early termination of the lease, recognized for the years ended December 31, 2016 and 2015 related to this lease was \$147,100 and \$19,584, respectively.

**7. LONG-TERM DEBT**

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 \$980,000 and \$730,000 at December 31, 2016 and 2015, respectively, which expire July 23, 2017, that are collateral for potential claims under the Center's workers' compensation insurance policy, benefiting the Center. The maximum amount the Foundation can borrow against this line of credit was \$5,445,000 and \$5,695,000 at December 31, 2016 and 2015, respectively. 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, 2016 and 2015.

**8. RELATED ORGANIZATION**

Contributions by the Foundation to the Center for operations amounted to \$5,676,996 and \$6,585,000 in 2016 and 2015, respectively. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to \$200,424 and \$246,618 in 2016 and 2015, 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 \$5,900,327 and \$5,809,860 at December 31, 2016 and 2015, 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 \$5,850,000 in Center support for 2017. The Foundation has pledged to provide its resources to the Center, as necessary, to allow the Center to fund its operations.

**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

---

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. The Series 2014 bonds were restructured in 2016 to reduce the rate of interest. Annual payments of the restructured bond principal and/or sinking fund requirements range from \$514,000 to \$1,963,000. The interest rate on the bonds is 2.81% and is due on January 1 and July 1 of each year. In 2016 the Center also borrowed \$14,350,000, using the proceeds to fund its pension plan with the intent to terminate the plan. The principal of this loan becomes due on July 1 of each year until 2023. Annual payments of the principal requirements range from \$1,510,319 to \$2,340,742. The interest rate on this loan is 3.68% 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 entered 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 bonds at December 31, 2016 and 2015.

The Center's 2015 financial statements were restated for the consolidation of Deborah Cardiovascular Group. A summary of the Center's assets, liabilities and net assets, results of operations, and changes in net assets is as follows:

	2016	2015 (AS RESTATED)
Assets	<u>\$ 100,947,228</u>	<u>\$ 93,494,920</u>
Liabilities	\$ 60,026,064	\$ 63,885,000
Net assets		
Unrestricted	32,579,282	21,354,371
Temporarily restricted	<u>8,341,882</u>	<u>8,255,549</u>
Total liabilities and net assets	<u>\$ 100,947,228</u>	<u>\$ 93,494,920</u>
Revenue		
Net patient service revenue	\$ 171,082,681	\$ 164,619,063
Other revenue, gains and losses	<u>11,529,622</u>	<u>8,664,425</u>
Total revenue	182,612,303	173,283,488
Total expenses	<u>179,335,383</u>	<u>167,396,072</u>
Income from operations	3,276,920	5,887,416
Nonoperating gains		
Contributions from the Foundation	<u>5,676,996</u>	<u>6,585,000</u>
Excess of revenue and gains over expenses	8,953,916	12,472,416
Other changes in unrestricted net assets, net	<u>2,270,995</u>	<u>(88,782)</u>



**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

Changes in unrestricted net assets	11,224,911	12,383,634
Changes in temporarily restricted net assets	86,333	(102,631)
Net assets, beginning of year	<u>29,609,920</u>	<u>17,328,917</u>
Net assets, end of year	<u>\$ 40,921,164</u>	<u>\$ 29,609,920</u>

**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 \$60,000 and \$47,120 for the years ended December 31, 2016 and 2015, 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 \$21,979 and \$21,506 for the years ended December 31, 2016 and 2015, respectively.

**10. FUNCTIONAL EXPENSES**

Expenses incurred for the years ended December 31, 2016 and 2015 were for:

2016	Program Services				
	The Center	Other Specific Purpose Programs, Including Children of the World	Management, Administrative and General	Fundraising	Total Expenses
Salaries, wages, and benefits	\$ --	\$ --	\$ 59,173	\$ 890,081	\$ 949,254
Contributions	5,676,996	200,424	--	--	5,877,420
Supplies and other expenses	--	--	37,747	853,784	891,531
Depreciation	--	--	16,115	306,191	322,306
Total expenses	<u>\$ 5,676,996</u>	<u>\$ 200,424</u>	<u>\$ 113,035</u>	<u>\$ 2,050,056</u>	<u>\$ 8,040,511</u>

2015	Program Services				
	The Center	Other Specific Purpose Programs, Including Children of the World	Management, Administrative and General	Fundraising	Total Expenses
Salaries, wages, and benefits	\$ --	\$ --	\$ 59,173	\$ 853,480	\$ 912,653
Contributions	6,585,000	246,618	--	--	6,831,618
Supplies and other expenses	--	--	43,481	839,541	883,022
Depreciation	--	--	20,802	325,902	346,704
Total expenses	<u>\$ 6,585,000</u>	<u>\$ 246,618</u>	<u>\$ 123,456</u>	<u>\$ 2,018,923</u>	<u>\$ 8,973,997</u>

**Deborah Hospital Foundation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2016 and 2015**

---

**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.

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, 2016 financial statements for subsequent events through May 26, 2017 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, 2016**

	Total	National	Special Events	Pennsylvania	New York	New Jersey	Florida
Public chapter support							
Chapters and miscellaneous	\$ 1,929,317	\$ 1,475,840	\$ --	\$ 20,897	\$ 73,409	\$ 335,343	\$ 23,828
Tree of Life	44,543	--	--	4,140	2,472	32,351	5,580
Total public & chapter Support	1,973,860	1,475,840	--	25,037	75,881	367,694	29,408
Corporate and foundation support	1,054,294	905,936	--	--	50	148,308	--
Special events	22,644	--	22,644	--	--	--	--
Legacies, bequests and annuities	9,969,514	445,865	--	15,489	--	9,424,239	83,921
Less: amounts raised on behalf of others	(6,038,613)	(6,038,613)	--	--	--	--	--
Total Public Support	6,981,699	(3,210,972)	22,644	40,526	75,931	9,940,241	113,329
Change in fair value of beneficial interest in perpetual trusts	92,327	92,327	--	--	--	--	--
Investment income, net	791,681	791,681	--	--	--	--	--
Lease and other revenue	147,100	147,100	--	--	--	--	--
Total revenue	<u>\$ 8,012,807</u>	<u>\$ (2,179,864)</u>	<u>\$ 22,644</u>	<u>\$ 40,526</u>	<u>\$ 75,931</u>	<u>\$ 9,940,241</u>	<u>\$ 113,329</u>

See Independent Auditors' Report.

**Deborah Hospital Foundation**  
**Summary of Revenues by Region**  
**Year Ended December 31, 2015**

	Total	National	Special Events	Pennsylvania	New York	New Jersey	Florida
Public chapter support							
Chapters and miscellaneous	\$ 1,967,456	\$ 1,418,064	\$ --	\$ 36,141	\$ 118,831	\$ 342,541	\$ 51,879
Tree of Life	92,280	--	--	4,186	3,574	76,325	8,195
Total public chapter support	2,059,736	1,418,064	--	40,327	122,405	418,866	60,074
Corporate and foundation support	1,510,644	1,383,637	--	306	1,050	125,651	--
Special events	403,444	--	403,444	--	--	--	--
Legacies, bequests and annuities	6,951,417	3,058	--	120,693	22,278	6,783,110	22,278
Less: amounts raised on behalf of others	(4,841,071)	(4,841,071)	--	--	--	--	--
Total public support	6,084,170	(2,036,312)	403,444	161,326	145,733	7,327,627	82,352
Change in fair value of beneficial interest in perpetual trusts	(514,536)	(514,536)	--	--	--	--	--
Investment income, net	(118,498)	(118,498)	--	--	--	--	--
Lease and other revenue	39,168	39,168	--	--	--	--	--
Total revenue	<u>\$ 5,490,304</u>	<u>\$ (2,630,178)</u>	<u>\$ 403,444</u>	<u>\$ 161,326</u>	<u>\$ 145,733</u>	<u>\$ 7,327,627</u>	<u>\$ 82,352</u>

See Independent Auditors' Report.