

DEBORAH HOSPITAL FOUNDATION
Financial Statements
December 31, 2019 and 2018
With Independent Auditor's Report

**Deborah Hospital Foundation
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December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

To the 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, 2019 and 2018, and the related statements of activities, and cash flows for the years then ended, and the related notes to 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Deborah Hospital Foundation as of December 31, 2019 and 2018, 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.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 2 to the financial statements, in 2019, Deborah Hospital Foundation adopted new accounting guidance related to revenue recognition, contributions made and contributions received, restricted cash and investments. Our opinion is not modified with respect to these matters.

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, 2019 and 2018 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

June 17, 2020

**Deborah Hospital Foundation
Statements of Financial Position
December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 490,665	\$ 587,664
Investments	10,239,861	9,964,638
Prepaid expenses and other assets	433,510	795,143
Assets restricted as to use		
Annuity and life income	3,918,845	3,629,509
Donor restricted	6,776,124	908,630
Contributions receivable, net	2,432,979	1,204,948
Property, plant and equipment, net	1,689,810	1,850,812
Beneficial interest in perpetual trusts	<u>6,332,506</u>	<u>5,541,901</u>
 Total assets	 <u>\$ 32,314,300</u>	 <u>\$ 24,483,245</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 46,654	\$ 26,971
Accrued expenses	141,835	140,151
Due to Deborah Heart and Lung Center	3,911,410	2,550,026
Annuity and life income reserve	<u>2,260,057</u>	<u>2,346,830</u>
Total liabilities	<u>6,359,956</u>	<u>5,063,978</u>
Net assets		
Without donor restrictions	11,307,616	12,037,973
With donor restrictions	<u>14,646,728</u>	<u>7,381,294</u>
Total net assets	<u>25,954,344</u>	<u>19,419,267</u>
 Total liabilities and net assets	 <u>\$ 32,314,300</u>	 <u>\$ 24,483,245</u>

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

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 1,317,912	\$ 7,685,755	\$ 9,003,667
Legacies, bequests and annuities	6,779,961	1,568,160	8,348,121
Less: Amounts raised on behalf of others	<u>-</u>	<u>(2,779,086)</u>	<u>(2,779,086)</u>
Total public support	<u>8,097,873</u>	<u>6,474,829</u>	<u>14,572,702</u>
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	-	790,605	790,605
Investment returns, net	<u>2,684,853</u>	<u>-</u>	<u>2,684,853</u>
Total other revenue	<u>2,684,853</u>	<u>790,605</u>	<u>3,475,458</u>
Total revenue	<u>10,782,726</u>	<u>7,265,434</u>	<u>18,048,160</u>
Expenses			
Program services			
Deborah Heart and Lung Center	4,000,000	-	4,000,000
Other specific purpose programs, including Children of the World	<u>196,947</u>	<u>-</u>	<u>196,947</u>
Total program services	<u>4,196,947</u>	<u>-</u>	<u>4,196,947</u>
Supporting services			
Management, administrative and general	81,307	-	81,307
Fundraising	<u>7,234,829</u>	<u>-</u>	<u>7,234,829</u>
Total supporting services	<u>7,316,136</u>	<u>-</u>	<u>7,316,136</u>
Total expenses	<u>11,513,083</u>	<u>-</u>	<u>11,513,083</u>
Changes in net assets	(730,357)	7,265,434	6,535,077
Net assets			
Beginning of year	<u>12,037,973</u>	<u>7,381,294</u>	<u>19,419,267</u>
End of year	<u>\$ 11,307,616</u>	<u>\$ 14,646,728</u>	<u>\$ 25,954,344</u>

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

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 2,753,120	\$ 1,915,339	\$ 4,668,459
Legacies, bequests and annuities	2,630,400	1,811,461	4,441,861
Less: Amounts raised on behalf of others	<u>-</u>	<u>(2,664,236)</u>	<u>(2,664,236)</u>
Total public support	<u>5,383,520</u>	<u>1,062,564</u>	<u>6,446,084</u>
Other revenue (losses)			
Change in fair value of beneficial interest in perpetual trusts	-	(573,133)	(573,133)
Investment returns, net	<u>(711,020)</u>	<u>-</u>	<u>(711,020)</u>
Total other revenue (losses)	<u>(711,020)</u>	<u>(573,133)</u>	<u>(1,284,153)</u>
Total revenue	<u>4,672,500</u>	<u>489,431</u>	<u>5,161,931</u>
Expenses			
Program services			
Deborah Heart and Lung Center	4,500,000	-	4,500,000
Other specific purpose programs, including Children of the World	<u>196,705</u>	<u>-</u>	<u>196,705</u>
Total program services	<u>4,696,705</u>	<u>-</u>	<u>4,696,705</u>
Supporting services			
Management, administrative and general	86,261	-	86,261
Fundraising	<u>2,312,655</u>	<u>-</u>	<u>2,312,655</u>
Total supporting services	<u>2,398,916</u>	<u>-</u>	<u>2,398,916</u>
Total expenses	<u>7,095,621</u>	<u>-</u>	<u>7,095,621</u>
Changes in net assets before transfer	(2,423,121)	489,431	(1,933,690)
Transfer to Deborah Heart and Lung Center	<u>1,292,510</u>	<u>-</u>	<u>1,292,510</u>
Changes in net assets	(3,715,631)	489,431	(3,226,200)
Net assets			
Beginning of year	<u>15,753,604</u>	<u>6,891,863</u>	<u>22,645,467</u>
End of year	<u>\$ 12,037,973</u>	<u>\$ 7,381,294</u>	<u>\$ 19,419,267</u>

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

Deborah Hospital Foundation
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net assets	\$ 6,535,077	\$ (3,226,200)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized (gain) loss on investments	(2,530,874)	799,308
Transfer to Deborah Heart and Lung Center	-	1,292,510
Depreciation	161,002	320,391
Change in beneficial interest in perpetual trusts	(790,605)	573,133
Change in unamortized discount on contributions receivable	8,216	124,427
Provision for uncollectible contributions	5,070,121	103,417
Changes in operating assets and liabilities		
Contributions receivable	(6,306,368)	(920,610)
Prepaid expenses and other assets	361,633	(488,288)
Accounts payable	19,683	(163,025)
Accrued expenses	1,684	(2,727)
Due to Deborah Heart and Lung Center	1,361,384	(2,113,368)
Annuity and life income reserve	(86,773)	(231,534)
Net cash provided by (used in) operating activities	<u>3,804,180</u>	<u>(3,932,566)</u>
Investing activities		
Change in investments and assets restricted as to use	<u>2,019,738</u>	<u>3,982,706</u>
Net change in cash, cash equivalents and restricted cash	5,823,918	50,140
Cash, cash equivalents and restricted cash		
Beginning of year	<u>1,872,687</u>	<u>1,822,547</u>
End of year	<u>\$ 7,696,605</u>	<u>\$ 1,872,687</u>
Cash, cash equivalents and restricted cash as reported within the statement of financial position		
Cash and cash equivalents	\$ 490,665	\$ 587,664
Investments	255,030	262,880
Assets restricted as to use - annuity and life income	174,786	113,513
Assets restricted as to use - donor restricted	<u>6,776,124</u>	<u>908,630</u>
Total cash, cash equivalents and restricted cash as shown in the statement of cash flows	<u>\$ 7,696,605</u>	<u>\$ 1,872,687</u>

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

**Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018**

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 twelve (12) members. They are the Chair of the Board of the Foundation, the President and CEO of the Center and ten (10) 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 two classes of net assets which are defined as follows:

Net assets without donor restrictions: Net assets available for use in general operations not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There were no net assets with donor restrictions that are perpetual in nature at December 31, 2019 and 2018.

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.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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 the date of donation.

Contributions with donor restrictions 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 changes 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, 2019 and 2018.

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 when the promise is received. Amortization of the discount is included in revenue. For unconditional promises to give that have been stipulated by the donor, or it is clear that the donor's intention is to support the Foundation's current-period activities, have been reported as support without donor restrictions in the year of the promise. For unconditional promises to give that have been stipulated by the donor as a contribution to the capital campaign have been reported as support with donor restrictions 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 collectability including such factors as prior collection history, type of contribution and the nature of the fundraising activity. At December 31, 2019 and 2018, an allowance for uncollectible contributions receivable in the amount of \$5,173,538 and \$103,417, respectively, 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.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018.

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 net assets with donor restrictions, with a time restriction.

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.

Reclassification

The 2018 financial statements were reclassified to conform to the 2019 presentation. Changes in net assets and total net assets are unchanged due to the reclassifications.

Adoption of Accounting Principles

Restricted Cash

In November 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-18, *Statement of Cash Flows* (Topic 230), *Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The adoption of this ASU resulted in restricted cash that was previously included in investments and assets restricted as to use in cash and cash equivalents and restricted cash on the statements of cash flows.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

Revenue and Revenue Recognition

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which as amended, supersedes or replaces nearly all revenue recognition guidance. ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. The majority of the Foundation's revenue is derived from contributions and investment income, which are scoped out of this standard and follows the relevant guidance for contributions and investments under those standards. The Foundation adopted the requirements of the new guidance in 2019, utilizing the full retrospective method of transition. The Foundation concluded that the effects of applying ASC 606 to the 2018 financial statements were immaterial, and as such, no adjustments were made to the 2018 financial statements.

Contributions

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The Foundation adopted the requirements of the new guidance in 2019, and concluded that the adoption of the new standard did not have any significant effect on the financial position or results of operations of the Foundation, and accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

Financial Assets and Financial Liabilities

In January 2016, FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which requires equity investments to be measured at fair value with changes in fair value recognized in net income. Equity investments without readily determinable fair values may choose to measure fair value at cost minus impairments and simplify the impairment assessment. ASU 2016-01, eliminates the requirement to disclose the fair value financial instruments at amortized cost. The adoption of this ASU had no effect on the Foundation's financial statements.

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, financial assets available within one year for general expenditures were as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 490,665	\$ 587,664
Investments	10,239,861	9,964,638
Contributions receivable	<u>706,755</u>	<u>109,799</u>
	<u>\$ 11,437,281</u>	<u>\$ 10,662,101</u>

None of the financial assets listed in the table above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date.

The Foundation regularly monitors liquidity to meet its operating needs and other contractual commitments. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

The Foundation has a line of credit available to meet its short-term needs. See Note 8 for information about the line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of raising funds to support its charitable program services and operations, including various programs of the Center to be general expenditures.

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions.

4. INVESTMENTS AND ASSETS RESTRICTED AS TO USE

	<u>2019</u>	<u>2018</u>
Investments		
Cash and cash equivalents	\$ 255,030	\$ 262,880
Fixed income securities	2,677,288	2,761,904
Equity securities (including mutual funds)	7,278,607	6,908,529
Accrued interest receivable	28,936	31,325
	<u>\$ 10,239,861</u>	<u>\$ 9,964,638</u>
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	\$ 174,786	\$ 113,513
Fixed income securities	2,614,535	2,612,560
Equity securities (including mutual funds)	1,129,524	903,436
	<u>\$ 3,918,845</u>	<u>\$ 3,629,509</u>
Assets restricted as to use - donor restricted		
Cash and cash equivalents	<u>\$ 6,776,124</u>	<u>\$ 908,630</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, 2019 and 2018, 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 \$829,619 and \$513,678, respectively, for the annuity fund. In addition, the Foundation maintained \$643,803 and \$548,161 in investments in excess of the life income fund liability at December 31, 2019 and 2018, respectively.

5. 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.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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 trusts.

There have been no changes in valuation techniques for these assets for the years ended December 31, 2019 and 2018.

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, 2019 and 2018:

<u>2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,696,605	\$ -	\$ -	\$ 7,696,605
Fixed income securities	-	5,320,759	-	5,320,759
Equity securities (including mutual funds)	8,027,179	380,952	-	8,408,131
Beneficial interest in perpetual trusts	-	-	6,332,506	6,332,506
	<u>\$ 15,723,784</u>	<u>\$ 5,701,711</u>	<u>\$ 6,332,506</u>	<u>\$ 27,758,001</u>

<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,872,687	\$ -	\$ -	\$ 1,872,687
Fixed income securities	-	5,405,789	-	5,405,789
Equity securities (including mutual funds)	7,431,013	380,952	-	7,811,965
Beneficial interest in perpetual trusts	-	-	5,541,901	5,541,901
	<u>\$ 9,303,700</u>	<u>\$ 5,786,741</u>	<u>\$ 5,541,901</u>	<u>\$ 20,632,342</u>

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

At January 1, 2018	\$ 6,115,034
Unrealized losses	<u>(573,133)</u>
At December 31, 2018	5,541,901
Unrealized gains	<u>790,605</u>
At December 31, 2019	<u>\$ 6,332,506</u>

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

6. CONTRIBUTIONS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Unrestricted to future periods	\$ 6,061,628	\$ 436,672
Restricted for capital campaign	<u>1,800,439</u>	<u>1,119,027</u>
	7,862,067	1,555,699
Less: Unamortized discount	(255,550)	(247,334)
Less: Allowance for uncollectible contributions receivable	<u>(5,173,538)</u>	<u>(103,417)</u>
	<u>\$ 2,432,979</u>	<u>\$ 1,204,948</u>
 Gross amounts due in		
Less than one year	\$ 6,291,774	
One to five years	1,223,420	
More than five years	<u>346,873</u>	
	<u>\$ 7,862,067</u>	

The interest rate used for discounting ranged from 1.39% to 3.1% at December 31, 2019 and from 3.00% to 3.25% at December 31, 2018, which was based upon the date the pledge was received and the length of the pledge.

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.

7. PROPERTY, PLANT AND EQUIPMENT

	<u>Estimated Life (Years)</u>	<u>2019</u>	<u>2018</u>
Land		\$ 553,516	\$ 553,516
Land improvements	10-20	74,884	74,884
Buildings and building improvements	5-20	3,560,368	3,560,368
Furniture, fixtures and equipment	3-20	<u>607,172</u>	<u>607,172</u>
		4,795,940	4,795,940
Less: Accumulated depreciation		<u>(3,106,130)</u>	<u>(2,945,128)</u>
		<u>\$ 1,689,810</u>	<u>\$ 1,850,812</u>

Depreciation expense was \$161,002 and \$320,391 for the years ended December 31, 2019 and 2018, respectively.

**Deborah Hospital Foundation
Notes to Financial Statements
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8. LONG-TERM DEBT

The Foundation has an agreement for a line of credit in the amount of \$6,377,711 and \$6,137,516 at December 31, 2019 and 2018, respectively, at an interest rate of LIBOR plus 2.25%, which includes two letters of credit totaling \$875,000 at December 31, 2019 and 2018, which expire July 23, 2020, 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 \$5,502,711 and \$5,262,516 at December 31, 2019 and 2018, respectively. Although the line of credit is in the Foundation's name and collateralized by up to approximately \$8,723,000 of Foundation assets based on the outstanding balance at December 31, 2019, 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, 2019 and 2018.

9. RELATED ORGANIZATION

Contributions by the Foundation to the Center for operations amounted to \$4,000,000 and \$4,500,000 in 2019 and 2018, respectively. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to \$196,947 and \$196,705 in 2019 and 2018, 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 \$13,715,242 and \$6,529,006 at December 31, 2019 and 2018, respectively, as net assets with donor restrictions, with a time restriction. Any future contributions from the Foundation to the Center are at the discretion of the Foundation's Board of Directors. The Foundation budgeted \$4,000,000 in Center support for 2020. The Foundation has pledged to provide its resources to the Center, as necessary, to allow the Center to fund its operations. At December 31, 2019 and 2018, the Foundation owed the Center \$3,911,410 and \$2,550,026, respectively.

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 the 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 \$1,820,000 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 \$2,021,734 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, 2019 and 2018.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

A summary of the Center's consolidated assets, liabilities and net assets, results of operations, and changes in net assets are as follows:

	<u>2019</u>	<u>2018</u>
Assets	\$ 131,809,004	\$ 116,986,708
Liabilities	\$ 70,970,282	\$ 67,505,083
Net assets		
Without donor restrictions	44,884,542	40,794,505
With donor restrictions	<u>15,954,180</u>	<u>8,687,120</u>
Total liabilities and net assets	<u>\$ 131,809,004</u>	<u>\$ 116,986,708</u>
Revenue		
Net patient service revenue	\$ 201,028,350	\$ 184,615,659
Other revenue, gains and losses	<u>10,974,844</u>	<u>6,155,435</u>
Total revenue	212,003,194	190,771,094
Total expenses	<u>210,580,710</u>	<u>191,813,114</u>
Income (loss) from operations	1,422,484	(1,042,020)
Nonoperating revenue		
Contributions from Deborah Hospital Foundation	<u>4,000,000</u>	<u>4,500,000</u>
Excess of revenue over expenses	5,422,484	3,457,980
Other changes in net assets with donor restrictions	<u>(1,332,447)</u>	<u>(1,442,064)</u>
Changes in net assets without donor restrictions	4,090,037	2,015,916
Changes in net assets with donor restrictions	7,267,060	225,951
Transfer from Deborah Hospital Foundation	-	1,292,510
Net assets, beginning of year	<u>49,481,625</u>	<u>45,947,248</u>
Net assets, end of year	<u>\$ 60,838,722</u>	<u>\$ 49,481,625</u>

10. 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 did not contribute to the Center and did not recognize pension expense for the years ended December 31, 2019 and 2018.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

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 \$30,250 and \$24,517 for the years ended December 31, 2019 and 2018, respectively.

11. FUNCTIONAL EXPENSES

The Foundation's primary program service is to provide support for programs of the Center and other specific purpose programs, including Children of the World. Expenses reported in the functional allocation of expenses as management, administrative and general, and fundraising services are incurred in support of this primary program service. Certain expenses are wholly allocated to either program or management, administrative and general and fundraising, because they directly support those functions. There are certain other categories of expenses that are attributable to both supporting services, so they are allocated accordingly. Those expenses include utilities, professional fees, insurance, and depreciation. Those expenses are allocated based on a percentage of total direct expenses for each supporting service to total supporting services.

Expenses by functional classification for the years ended December 31, 2019 and 2018 consists of the following:

	Program Services		Supporting Services		Total Expenses
	The Center	Other Specific Purpose Programs, Including Children of the World	Management, Administrative and General	Fundraising	
2019					
Salaries, wages, and benefits	\$ -	\$ -	\$ 59,173	\$ 919,023	\$ 978,196
Contributions	4,000,000	196,947	-	-	4,196,947
Supplies and other expenses	-	-	16,338	6,160,600	6,176,938
Depreciation	-	-	5,796	155,206	161,002
	<u>\$ 4,000,000</u>	<u>\$ 196,947</u>	<u>\$ 81,307</u>	<u>\$ 7,234,829</u>	<u>\$ 11,513,083</u>

	Program Services		Supporting Services		Total Expenses
	The Center	Other Specific Purpose Programs, Including Children of the World	Management, Administrative and General	Fundraising	
2018					
Salaries, wages, and benefits	\$ -	\$ -	\$ 59,173	\$ 919,929	\$ 979,102
Contributions	4,500,000	196,705	-	-	4,696,705
Supplies and other expenses	-	-	15,554	1,083,869	1,099,423
Depreciation	-	-	11,534	308,857	320,391
	<u>\$ 4,500,000</u>	<u>\$ 196,705</u>	<u>\$ 86,261</u>	<u>\$ 2,312,655</u>	<u>\$ 7,095,621</u>

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2019 and 2018

12. CONCENTRATION OF CREDIT RISK

The Foundation maintains a checking account with a local financial institution. The amount in this account exceeds 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 institution 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.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Deborah Heart and Lung Center	\$ 8,297,747	\$ 1,813,708
Children of the World	16,475	25,685
Subject to passage of time		
Beneficial interest in perpetual trusts	<u>6,332,506</u>	<u>5,541,901</u>
	<u>\$ 14,646,728</u>	<u>\$ 7,381,294</u>

14. TRANSFER TO DEBORAH HEART AND LUNG CENTER

In accordance with a lease agreement between the Foundation and the Center, effective December 31, 2018, the Foundation transferred the Cymrot building to the Center, which had a net book value of \$1,292,510 on the date of transfer.

15. SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2019 financial statements for subsequent events through June 17, 2020, 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, other than the following:

Subsequent to the year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the World-wide COVID-19 pandemic. The Foundation is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The financial statements do not include adjustments to the fair value that have resulted from these declines.

SUPPLEMENTARY INFORMATION

**Deborah Hospital Foundation
Summary of Revenues by Region
Year Ended December 31, 2019**

	<u>Total</u>	<u>National</u>	<u>Pennsylvania</u>	<u>New York</u>	<u>New Jersey</u>	<u>Florida</u>
Public and chapter support						
Chapters and miscellaneous	\$ 8,220,967	\$ 7,845,945	\$ 11,386	\$ 64,828	\$ 278,389	\$ 20,419
Tree of Life	46,643	-	6,239	35,719	-	4,685
Total public and chapter support	8,267,610	7,845,945	17,625	100,547	278,389	25,104
Corporate and foundation support	736,057	592,640	-	250	143,167	-
Legacies, bequests and annuities	8,348,121	580,012	23,471	-	7,744,638	-
Less: Amounts raised on behalf of others	(2,779,086)	(2,779,086)	-	-	-	-
Total public support	14,572,702	6,239,511	41,096	100,797	8,166,194	25,104
Change in fair value of beneficial interest in perpetual trusts	790,605	790,605	-	-	-	-
Investment return, net	2,684,853	2,684,853	-	-	-	-
Total revenue	<u>\$ 18,048,160</u>	<u>\$ 9,714,969</u>	<u>\$ 41,096</u>	<u>\$ 100,797</u>	<u>\$ 8,166,194</u>	<u>\$ 25,104</u>

See Independent Auditor's Report.

**Deborah Hospital Foundation
Summary of Revenues by Region
Year Ended December 31, 2018**

	<u>Total</u>	<u>National</u>	<u>Pennsylvania</u>	<u>New York</u>	<u>New Jersey</u>	<u>Florida</u>
Public and chapter support						
Chapters and miscellaneous	\$ 3,429,360	\$ 2,963,800	\$ 23,936	\$ 104,091	\$ 308,892	\$ 28,641
Tree of Life	65,930	-	6,870	52,625	-	6,435
Total public and chapter support	3,495,290	2,963,800	30,806	156,716	308,892	35,076
Corporate and foundation support	1,173,169	1,040,492	-	50	132,627	-
Legacies, bequests and annuities	4,441,861	3,087	19,519	-	4,419,255	-
Less: Amounts raised on behalf of others	<u>(2,664,236)</u>	<u>(2,664,236)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	6,446,084	1,343,143	50,325	156,766	4,860,774	35,076
Change in fair value of beneficial interest in perpetual trusts	(573,133)	(573,133)	-	-	-	-
Investment return, net	<u>(711,020)</u>	<u>(711,020)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>\$ 5,161,931</u>	<u>\$ 58,990</u>	<u>\$ 50,325</u>	<u>\$ 156,766</u>	<u>\$ 4,860,774</u>	<u>\$ 35,076</u>

See Independent Auditor's Report.