

DEBORAH HOSPITAL FOUNDATION
Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Report

**Deborah Hospital Foundation
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December 31, 2020 and 2019**

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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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019 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 audits 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 28, 2021

Deborah Hospital Foundation
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 742,589	\$ 490,665
Investments	9,528,204	10,239,861
Prepaid expenses and other assets	822,813	433,510
Assets restricted as to use		
Annuity and life income	4,195,124	3,918,845
Donor restricted	5,977,750	6,776,124
Contributions receivable, net	1,945,445	2,432,979
Property, plant and equipment, net	1,530,716	1,689,810
Beneficial interest in perpetual trusts	<u>6,633,100</u>	<u>6,332,506</u>
 Total assets	 <u>\$ 31,375,741</u>	 <u>\$ 32,314,300</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 22,647	\$ 46,654
Accrued expenses	125,465	141,835
Due to Deborah Heart and Lung Center	4,283,448	3,911,410
Annuity and life income reserve	<u>2,205,225</u>	<u>2,260,057</u>
Total liabilities	<u>6,636,785</u>	<u>6,359,956</u>
Net assets		
Without donor restrictions	10,908,172	11,307,616
With donor restrictions	<u>13,830,784</u>	<u>14,646,728</u>
Total net assets	<u>24,738,956</u>	<u>25,954,344</u>
 Total liabilities and net assets	 <u>\$ 31,375,741</u>	 <u>\$ 32,314,300</u>

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

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 1,928,964	\$ 2,484,485	\$ 4,413,449
Legacies, bequests and annuities	2,164,027	840,428	3,004,455
Less: Amounts raised on behalf of others	<u>-</u>	<u>(4,441,451)</u>	<u>(4,441,451)</u>
Total public support	<u>4,092,991</u>	<u>(1,116,538)</u>	<u>2,976,453</u>
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	-	300,594	300,594
Investment returns, net	<u>1,645,498</u>	<u>-</u>	<u>1,645,498</u>
Total other revenue	<u>1,645,498</u>	<u>300,594</u>	<u>1,946,092</u>
Total revenue	<u>5,738,489</u>	<u>(815,944)</u>	<u>4,922,545</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>205,746</u>	<u>-</u>	<u>205,746</u>
Total program services	<u>4,205,746</u>	<u>-</u>	<u>4,205,746</u>
Supporting services			
Management, administrative and general	84,224	-	84,224
Fundraising	<u>1,847,963</u>	<u>-</u>	<u>1,847,963</u>
Total supporting services	<u>1,932,187</u>	<u>-</u>	<u>1,932,187</u>
Total expenses	<u>6,137,933</u>	<u>-</u>	<u>6,137,933</u>
Changes in net assets	(399,444)	(815,944)	(1,215,388)
Net assets			
Beginning of year	<u>11,307,616</u>	<u>14,646,728</u>	<u>25,954,344</u>
End of year	<u>\$ 10,908,172</u>	<u>\$ 13,830,784</u>	<u>\$ 24,738,956</u>

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

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	196,947	-	196,947
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
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ (1,215,388)	\$ 6,535,077
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gain on investments	(1,546,113)	(2,530,874)
Depreciation	160,828	161,002
Change in beneficial interest in perpetual trusts	(300,594)	(790,605)
Change in unamortized discount on contributions receivable	(44,082)	8,216
Provision for uncollectible contributions	(35,988)	5,070,121
Changes in operating assets and liabilities		
Contributions receivable	567,604	(6,306,368)
Prepaid expenses and other assets	(389,303)	361,633
Accounts payable	(24,007)	19,683
Accrued expenses	(16,370)	1,684
Due to Deborah Heart and Lung Center	372,038	1,361,384
Annuity and life income reserve	(54,832)	(86,773)
Net cash provided by (used in) operating activities	<u>(2,526,207)</u>	<u>3,804,180</u>
Investing activities		
Capital expenditures	(1,734)	-
Change in investments and assets restricted as to use	<u>1,891,512</u>	<u>2,019,738</u>
Net cash provided by investing activities	<u>1,889,778</u>	<u>2,019,738</u>
Net change in cash, cash equivalents and restricted cash	(636,429)	5,823,918
Cash, cash equivalents and restricted cash		
Beginning of year	<u>7,696,605</u>	<u>1,872,687</u>
End of year	<u>\$ 7,060,176</u>	<u>\$ 7,696,605</u>
Cash, cash equivalents and restricted cash as reported within the statements of financial position		
Cash and cash equivalents	\$ 742,589	\$ 490,665
Investments	201,108	255,030
Assets restricted as to use - annuity and life income	138,729	174,786
Assets restricted as to use - donor restricted	<u>5,977,750</u>	<u>6,776,124</u>
Total cash, cash equivalents and restricted cash as shown in the statements of cash flows	<u>\$ 7,060,176</u>	<u>\$ 7,696,605</u>

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

**Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019**

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, 2020 and 2019.

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
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December 31, 2020 and 2019

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, 2020 and 2019.

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. 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.

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, 2020 and 2019

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, 2020 and 2019.

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.

Adoption of Accounting Principle

Fair Value Measurement

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13, Fair Value Measurement (Topic 820) *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"). The ASU 2018-13 eliminates and modifies certain existing reporting requirements related to fair value measurements. The Foundation adopted ASU 2018-13 in the year ended December 31, 2020, and the adoption did not have a material impact on the Foundation's financial statements.

Risks and Uncertainties

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Foundation's financial position, and results of operations the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2020 and 2019, financial assets available within one year for general expenditures were as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 742,589	\$ 490,665
Investments	9,528,204	10,239,861
Contributions receivable	<u>543,107</u>	<u>706,755</u>
	<u>\$ 10,813,900</u>	<u>\$ 11,437,281</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.

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

Investments and assets restricted as to use consist of the following:

	<u>2020</u>	<u>2019</u>
Investments		
Cash and cash equivalents	\$ 201,108	\$ 255,030
Fixed income securities	2,239,201	2,677,288
Equity securities (including mutual funds)	7,067,813	7,278,607
Accrued interest receivable	<u>20,082</u>	<u>28,936</u>
	<u>\$ 9,528,204</u>	<u>\$ 10,239,861</u>
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	\$ 138,729	\$ 174,786
Fixed income securities	2,726,823	2,614,535
Equity securities (including mutual funds)	<u>1,329,572</u>	<u>1,129,524</u>
	<u>\$ 4,195,124</u>	<u>\$ 3,918,845</u>
Assets restricted as to use - donor restricted		
Cash and cash equivalents	<u>\$ 5,977,750</u>	<u>\$ 6,776,124</u>

Deborah Hospital Foundation
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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, 2020 and 2019, 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 \$1,092,412 and \$829,619, respectively, for the annuity fund. In addition, the Foundation maintained \$716,143 and \$643,803 in investments in excess of the life income fund liability at December 31, 2020 and 2019, 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.

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, 2020 and 2019.

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:

<u>2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,060,176	\$ -	\$ -	\$ 7,060,176
Fixed income securities	-	4,986,108	-	4,986,108
Equity securities (including mutual funds)	8,016,432	380,952	-	8,397,384
Beneficial interest in perpetual trusts	-	-	6,633,100	6,633,100
	<u>\$ 15,076,608</u>	<u>\$ 5,367,060</u>	<u>\$ 6,633,100</u>	<u>\$ 27,076,768</u>

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019

<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>

During the years ended December 31, 2020 and 2019, there were no transfers into or out of Level 3 and there were no purchases of Level 3 assets.

6. CONTRIBUTIONS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Unrestricted to future periods	\$ 5,890,980	\$ 6,061,628
Restricted for capital campaign	1,403,483	1,800,439
	7,294,463	7,862,067
Less: Unamortized discount	(211,468)	(255,550)
Less: Allowance for uncollectible contributions receivable	(5,137,550)	(5,173,538)
	<u>\$ 1,945,445</u>	<u>\$ 2,432,979</u>
Gross amounts due in		
Less than one year	\$ 6,185,807	
One to five years	766,783	
More than five years	341,873	
	<u>\$ 7,294,463</u>	

The interest rate used for discounting ranged from 0.14% to 3.1% at December 31, 2020 and from 1.39% to 3.1% at December 31, 2019, 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.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following:

	<u>Estimated Life (Years)</u>	<u>2020</u>	<u>2019</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>608,906</u>	<u>607,172</u>
		4,797,674	4,795,940
Less: Accumulated depreciation		<u>(3,266,958)</u>	<u>(3,106,130)</u>
		<u>\$ 1,530,716</u>	<u>\$ 1,689,810</u>

Depreciation expense was \$160,828 and \$161,002 for the years ended December 31, 2020 and 2019, respectively.

8. LONG-TERM DEBT

The Foundation has an agreement for a line of credit in the amount of \$6,425,000 and \$6,377,711 at December 31, 2020 and 2019, respectively, at an interest rate at December 31, 2020 and 2019 of 2.81% and 3.90%, respectively, which includes two letters of credit totaling \$875,000 at December 31, 2020 and 2019, which expire July 23, 2021, 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 \$5,550,000 and \$5,502,711 at December 31, 2020 and 2019, respectively. Although the line of credit is in the Foundation's name and collateralized by up to approximately \$9,098,000 of Foundation assets based on the outstanding balance at December 31, 2020, 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, 2020 and 2019.

9. RELATED ORGANIZATION

Contributions by the Foundation to the Center for operations amounted to \$4,000,000 in each of the years ended 2020 and 2019. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to \$205,746 and \$196,947 in 2020 and 2019, 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 \$12,878,450 and \$13,715,242 at December 31, 2020 and 2019, 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 2021. The Foundation has pledged to provide its resources to the Center, as necessary, to allow the Center to fund its operations. At December 31, 2020 and 2019, the Foundation owed the Center \$4,283,448 and \$3,911,410, respectively.

**Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019**

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, 2020 and 2019.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Assets	\$ 162,809,440	\$ 131,809,004
Liabilities	\$ 93,595,406	\$ 70,970,282
Net assets		
Without donor restrictions		
Controlled by the Center	50,607,515	44,884,542
Attributable to non-controlling interests	491,515	-
Total without donor restrictions	51,099,030	44,884,542
With donor restrictions	18,115,004	15,954,180
Total net assets	69,214,034	60,838,722
Total liabilities and net assets	\$ 162,809,440	\$ 131,809,004
Revenue		
Net patient service revenue	\$ 182,845,028	\$ 201,028,350
Grant income	12,115,950	-
Other revenue, gains and losses	11,040,199	10,974,844
Total revenue	206,001,177	212,003,194
Total expenses	205,226,970	210,580,710
Income from operations	774,207	1,422,484
Nonoperating revenue		
Contributions from Deborah Hospital Foundation	4,000,000	4,000,000
Excess of revenue over expenses	4,774,207	5,422,484
Other changes in net assets without donor restrictions	922,781	(1,332,447)
Changes in net assets without donor restrictions	5,696,988	4,090,037
Changes in net assets with donor restrictions	2,160,824	7,267,060
Changes in net assets before members' contributions	7,857,812	11,357,097
Members' contributions	517,500	-
Changes in net assets	8,375,312	11,357,097
Net assets, beginning of year	60,838,722	49,481,625
Net assets, end of year	\$ 69,214,034	\$ 60,838,722

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019

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 pension plan and did not recognize pension expense for the years ended December 31, 2020 and 2019.

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 \$8,163 and \$30,250 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 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	
2020					
Salaries, wages, and benefits	\$ -	\$ -	\$ 59,173	\$ 853,726	\$ 912,899
Contributions	4,000,000	205,746	-	-	4,205,746
Supplies and other expenses	-	-	19,260	839,199	858,459
Depreciation	-	-	5,791	155,038	160,829
	<u>\$ 4,000,000</u>	<u>\$ 205,746</u>	<u>\$ 84,224</u>	<u>\$ 1,847,963</u>	<u>\$ 6,137,933</u>

	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>

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Deborah Heart and Lung Center	\$ 7,197,070	\$ 8,297,747
Children of the World	614	16,475
Subject to passage of time		
Beneficial interest in perpetual trusts	<u>6,633,100</u>	<u>6,332,506</u>
	<u>\$ 13,830,784</u>	<u>\$ 14,646,728</u>

14. SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2020 financial statements for subsequent events through May 28, 2021, 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, 2020

	<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	\$ 3,716,891	\$ 3,463,643	\$ 8,048	\$ 35,984	\$ 192,953	\$ 16,263
Tree of Life	57,633	-	4,955	50,728	-	1,950
Total public and chapter support	<u>3,774,524</u>	<u>3,463,643</u>	<u>13,003</u>	<u>86,712</u>	<u>192,953</u>	<u>18,213</u>
Corporate and foundation support	638,925	575,686	-	250	62,989	-
Legacies, bequests and annuities	3,004,455	2,427	27,429	-	2,974,599	-
Less: Amounts raised on behalf of others	<u>(4,441,451)</u>	<u>(4,441,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	<u>2,976,453</u>	<u>(399,695)</u>	<u>40,432</u>	<u>86,962</u>	<u>3,230,541</u>	<u>18,213</u>
Change in fair value of beneficial interest in perpetual trusts	300,594	300,594	-	-	-	-
Investment return, net	<u>1,645,498</u>	<u>1,645,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>\$ 4,922,545</u>	<u>\$ 1,546,397</u>	<u>\$ 40,432</u>	<u>\$ 86,962</u>	<u>\$ 3,230,541</u>	<u>\$ 18,213</u>

See Independent Auditor's Report.

**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.