

DEBORAH HOSPITAL FOUNDATION
Financial Statements
December 31, 2023 and 2022
With Independent Auditor's Report

**Deborah Hospital Foundation
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December 31, 2023 and 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Deborah Hospital Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Deborah Hospital Foundation, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Deborah Hospital Foundation as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Deborah Hospital Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical responsibilities relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Deborah Hospital Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Deborah Hospital Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Deborah Hospital Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, 2023 and 2022 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 23, 2024

**Deborah Hospital Foundation
Statements of Financial Position
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 3,536,636	\$ 1,652,527
Investments	12,587,171	11,014,218
Prepaid expenses and other assets	606,906	2,686,615
Assets restricted as to use		
Annuity and life income	3,647,318	3,572,639
Donor restricted	1,632,972	1,563,203
Contributions receivable, net	276,525	644,867
Property, plant and equipment, net	1,062,039	1,220,096
Beneficial interest in perpetual trusts	<u>6,296,368</u>	<u>5,747,912</u>
 Total assets	 <u>\$ 29,645,935</u>	 <u>\$ 28,102,077</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 41,230	\$ 19,458
Accrued expenses	138,567	130,836
Due to Deborah Heart and Lung Center	3,991,727	6,236,496
Annuity and life income reserve	<u>2,079,353</u>	<u>2,162,758</u>
Total liabilities	<u>6,250,877</u>	<u>8,549,548</u>
Net assets		
Without donor restrictions	15,353,578	11,762,379
With donor restrictions	<u>8,041,480</u>	<u>7,790,150</u>
Total net assets	<u>23,395,058</u>	<u>19,552,529</u>
 Total liabilities and net assets	 <u>\$ 29,645,935</u>	 <u>\$ 28,102,077</u>

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

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 3,457,616	\$ 299,219	\$ 3,756,835
Legacies, bequests and annuities	4,717,529	6,950,806	11,668,335
Net assets released from restriction	366,897	(366,897)	-
Less: Amounts raised on behalf of others	<u>-</u>	<u>(7,180,254)</u>	<u>(7,180,254)</u>
Total public support	<u>8,542,042</u>	<u>(297,126)</u>	<u>8,244,916</u>
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	-	548,456	548,456
Investment returns, net	<u>1,768,909</u>	<u>-</u>	<u>1,768,909</u>
Total other revenue	<u>1,768,909</u>	<u>548,456</u>	<u>2,317,365</u>
 Total revenue	 <u>10,310,951</u>	 <u>251,330</u>	 <u>10,562,281</u>
Expenses			
Program services			
Deborah Heart and Lung Center	4,300,000	-	4,300,000
Other specific purpose programs, including Children of the World	<u>227,726</u>	<u>-</u>	<u>227,726</u>
Total program services	<u>4,527,726</u>	<u>-</u>	<u>4,527,726</u>
Supporting services			
Management, administrative and general	72,701	-	72,701
Fundraising	<u>2,119,325</u>	<u>-</u>	<u>2,119,325</u>
Total supporting services	<u>2,192,026</u>	<u>-</u>	<u>2,192,026</u>
 Total expenses	 <u>6,719,752</u>	 <u>-</u>	 <u>6,719,752</u>
 Changes in net assets	 <u>3,591,199</u>	 <u>251,330</u>	 <u>3,842,529</u>
Net assets			
Beginning of year	<u>11,762,379</u>	<u>7,790,150</u>	<u>19,552,529</u>
 End of year	 <u>\$ 15,353,578</u>	 <u>\$ 8,041,480</u>	 <u>\$ 23,395,058</u>

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

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Public support			
Public donations	\$ 7,657,179	\$ 799,694	\$ 8,456,873
Legacies, bequests and annuities	1,407,220	3,767,335	5,174,555
Less: Amounts raised on behalf of others	<u>-</u>	<u>(3,872,831)</u>	<u>(3,872,831)</u>
Total public support	<u>9,064,399</u>	<u>694,198</u>	<u>9,758,597</u>
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	-	(1,453,343)	(1,453,343)
Investment returns, net	<u>(1,976,285)</u>	<u>-</u>	<u>(1,976,285)</u>
Total other revenue	<u>(1,976,285)</u>	<u>(1,453,343)</u>	<u>(3,429,628)</u>
 Total revenue	 <u>7,088,114</u>	 <u>(759,145)</u>	 <u>6,328,969</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>232,232</u>	<u>-</u>	<u>232,232</u>
Total program services	<u>4,232,232</u>	<u>-</u>	<u>4,232,232</u>
Supporting services			
Management, administrative and general	74,534	-	74,534
Fundraising	<u>1,776,463</u>	<u>-</u>	<u>1,776,463</u>
Total supporting services	<u>1,850,997</u>	<u>-</u>	<u>1,850,997</u>
 Total expenses	 <u>6,083,229</u>	 <u>-</u>	 <u>6,083,229</u>
 Changes in net assets	 <u>1,004,885</u>	 <u>(759,145)</u>	 <u>245,740</u>
Net assets			
Beginning of year	<u>10,757,494</u>	<u>8,549,295</u>	<u>19,306,789</u>
 End of year	 <u>\$ 11,762,379</u>	 <u>\$ 7,790,150</u>	 <u>\$ 19,552,529</u>

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

Deborah Hospital Foundation
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ 3,842,529	\$ 245,740
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized (gain) loss on investments and assets restricted as to use	(1,483,680)	2,059,237
Depreciation	160,000	155,108
Change in beneficial interest in perpetual trusts	(548,456)	1,453,343
Change in unamortized discount on contributions receivable	(174,801)	(8,623)
Change in provision for uncollectible contributions	(71,112)	(5,024,818)
Changes in operating assets and liabilities		
Contributions receivable	614,255	5,336,326
Prepaid expenses and other assets	2,079,709	178,320
Accounts payable	21,772	(10,909)
Accrued expenses	7,731	4,697
Due to Deborah Heart and Lung Center	(2,244,769)	431,846
Annuity and life income reserve	(83,405)	70,493
Net cash provided by operating activities	<u>2,119,773</u>	<u>4,890,760</u>
Investing activities		
Capital expenditures	(1,943)	(2,973)
Change in investments and assets restricted as to use	<u>834,272</u>	<u>(2,355,877)</u>
Net cash provided by (used in) investing activities	<u>832,329</u>	<u>(2,358,850)</u>
Net change in cash, cash equivalents and restricted cash	2,952,102	2,531,910
Cash, cash equivalents and restricted cash		
Beginning of year	<u>4,188,607</u>	<u>1,656,697</u>
End of year	<u>\$ 7,140,709</u>	<u>\$ 4,188,607</u>
Cash, cash equivalents and restricted cash as reported within the statements of financial position		
Cash and cash equivalents	\$ 3,536,636	\$ 1,652,527
Investments	896,857	772,253
Assets restricted as to use - annuity and life income	1,074,244	200,624
Assets restricted as to use - donor restricted	<u>1,632,972</u>	<u>1,563,203</u>
Total cash, cash equivalents and restricted cash as shown in the statements of cash flows	<u>\$ 7,140,709</u>	<u>\$ 4,188,607</u>

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

**Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022**

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, 2023 and 2022.

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 are 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, 2023 and 2022

Contributions

Contributions are considered to be available for expenditure in accordance with the Foundation's bylaws 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 unconditionally 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, 2023 and 2022.

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. 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.

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, 2023 and 2022.

**Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022**

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 of Directors, 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 include 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 has 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.

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2023 and 2022, financial assets available within one year for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,536,636	\$ 1,652,527
Investments	12,587,171	11,014,218
Contributions receivable	<u>164,386</u>	<u>-</u>
	<u>\$ 16,288,193</u>	<u>\$ 12,666,745</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.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022

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 at December 31:

	<u>2023</u>	<u>2022</u>
Investments		
Cash and cash equivalents	\$ 896,857	\$ 772,253
Fixed income securities	1,952,032	1,898,834
Equity securities (including mutual funds)	9,708,594	8,321,994
Accrued interest receivable	<u>29,688</u>	<u>21,137</u>
	<u>\$ 12,587,171</u>	<u>\$ 11,014,218</u>
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	\$ 1,074,244	\$ 200,624
Fixed income securities	2,358,510	2,349,861
Equity securities (including mutual funds)	<u>214,564</u>	<u>1,022,154</u>
	<u>\$ 3,647,318</u>	<u>\$ 3,572,639</u>
Assets restricted as to use - donor restricted		
Cash and cash equivalents	<u>\$ 1,632,972</u>	<u>\$ 1,563,203</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, 2023 and 2022, 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 \$762,412 and \$631,217, respectively, for the annuity fund. In addition, the Foundation maintained \$641,750 and \$602,481 in investments in excess of the life income fund liability at December 31, 2023 and 2022, 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, 2023 and 2022

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 nonactive markets (few transactions, limited information, noncurrent 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) 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, 2023 and 2022.

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>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,140,709	\$ -	\$ -	\$ 7,140,709
Fixed income securities	-	4,340,230	-	4,340,230
Equity securities (including mutual funds)	9,542,206	380,952	-	9,923,158
Beneficial interest in perpetual trusts	-	-	6,296,368	6,296,368
	<u>\$ 16,682,915</u>	<u>\$ 4,721,182</u>	<u>\$ 6,296,368</u>	<u>\$ 27,700,465</u>
<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,188,607	\$ -	\$ -	\$ 4,188,607
Fixed income securities	-	4,269,832	-	4,269,832
Equity securities (including mutual funds)	8,963,196	380,952	-	9,344,148
Beneficial interest in perpetual trusts	-	-	5,747,912	5,747,912
	<u>\$ 13,151,803</u>	<u>\$ 4,650,784</u>	<u>\$ 5,747,912</u>	<u>\$ 23,550,499</u>

During the years ended December 31, 2023 and 2022, there were no transfers into or out of Level 3 and there were no purchases of Level 3 assets.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022

6. CONTRIBUTIONS RECEIVABLE

Included in contributions receivable are the following unconditional promises to give at December 31:

	<u>2023</u>	<u>2022</u>
Unrestricted to future periods	\$ 164,286	\$ 347,873
Restricted for capital campaign	<u>112,239</u>	<u>542,907</u>
	276,525	890,780
Less: Unamortized discount	-	(174,801)
Less: Allowance for uncollectible contributions receivable	<u>-</u>	<u>(71,112)</u>
	<u>\$ 276,525</u>	<u>\$ 644,867</u>
Gross amounts due in		
Less than one year	\$ 272,525	
One to five years	<u>4,000</u>	
	<u>\$ 276,525</u>	

The interest rate used for discounting ranged from 0.11% to 3.1% at December 31, 2022, which was based upon the date the pledge was received and the length of the pledge.

At December 31, 2023, two donors accounted for 90% (59% and 31%) of the gross unconditional promises to give. At December 31, 2022, three donors accounted for 59% (37%, 11% and 11%) of the gross unconditional promises to give.

The Foundation periodically receives indications of an intention to give from individuals through the settlement of their 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

Property, plant and equipment consist of the following at December 31:

	<u>Estimated Life (Years)</u>	<u>2023</u>	<u>2022</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>613,822</u>	<u>611,879</u>
		4,802,590	4,800,647
Less: Accumulated depreciation		<u>(3,740,551)</u>	<u>(3,580,551)</u>
		<u>\$ 1,062,039</u>	<u>\$ 1,220,096</u>

Depreciation expense was \$160,000 and \$155,108 for the years ended December 31, 2023 and 2022, respectively.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022

8. LONG-TERM DEBT

The Foundation has an agreement for a line of credit in the amount of \$6,425,000 for each of the years ended December 31, 2023 and 2022, with an interest rate at December 31, 2023 and 2022 of 6.8% and 5.75%, respectively, which includes two letters of credit totaling \$875,000 at December 31, 2023 and 2022, which expire July 23, 2024, that are collateral for potential claims under the Center's workers' compensation insurance policy, thereby benefiting the Center. The maximum amount the Foundation can borrow against this line of credit is \$5,550,000 at December 31, 2023 and 2022. Although the line of credit is in the Foundation's name and collateralized by up to approximately \$11,509,000 of Foundation assets based on the outstanding balance at December 31, 2023, 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, 2023 and 2022.

9. RELATED ORGANIZATION

Contributions by the Foundation to the Center for operations amounted to \$4,300,000 and \$4,000,000 for the years ended 2023 and 2022, respectively. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to \$227,726 and \$232,232 in 2023 and 2022, respectively. The Center has an interest in assets held by the Foundation related to the Foundation's interest in perpetual trusts, and donor restricted net assets, which is recorded as \$7,198,965 and \$6,988,536 at December 31, 2023 and 2022, 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 \$5,000,000 in Center support for 2024. The Foundation has pledged to provide its resources to the Center, as necessary, to allow the Center to fund its operations. At December 31, 2023 and 2022, the Foundation owed the Center \$3,991,727 and \$6,236,496, respectively.

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022

A summary of the Center's consolidated assets, liabilities and net assets, results of operations and changes in net assets is as follows as of and for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Assets	\$ 202,502,699	\$ 152,571,679
Liabilities	\$ 99,348,435	\$ 68,022,217
Net assets (deficit)		
Without donor restrictions		
Controlled by the Center	81,087,322	65,744,689
Attributable to non-controlling interests	(162,003)	413,483
Total without donor restrictions	80,925,319	66,158,172
With donor restrictions	22,228,945	18,391,290
Total net assets	103,154,264	84,549,462
Total liabilities and net assets	\$ 202,502,699	\$ 152,571,679
Revenue		
Net patient service revenue	\$ 233,097,420	\$ 216,793,646
Grant income	1,305,148	730,710
Other revenue, and realized gains and losses	21,213,947	10,465,465
Total revenue	255,616,515	227,989,821
Total expenses	247,701,836	227,812,396
Income from operations	7,914,679	177,425
Nonoperating revenue		
Contributions from Deborah Hospital Foundation	4,300,000	4,000,000
Unrealized gain (loss) on investments	2,529,968	(3,815,693)
Excess of revenue over expenses	14,744,647	361,732
Other changes in net assets without donor restrictions	22,500	145,461
Changes in net assets without donor restrictions	14,767,147	507,193
Changes in net assets with donor restrictions	3,837,655	(1,010,850)
Changes in net assets	18,604,802	(503,657)
Net assets		
Beginning of year	84,549,462	85,053,119
End of year	\$ 103,154,264	\$ 84,549,462

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022

10. PENSION PLANS

The Foundation participated in a defined benefit noncontributory pension plan (the “Plan”) covering substantially all Foundation employees, which was sponsored by the Center. The Center froze the Plan as of December 31, 2005. In 2021, the Center made the decision to terminate the Plan. In September 2021, the Plan began distribution payments to the participants. The Plan was fully distributed to participants in 2022, and the remaining balance was also distributed to the Center in 2022, and as a result, the Plan was terminated in 2022. There was no pension expense incurred for the year ended December 31, 2022 prior to the termination of the Plan.

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 \$23,469 and \$18,158 for the years ended December 31, 2023 and 2022, 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 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, 2023 and 2022 consist of the following:

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>The Center</u>	<u>Other Specific Purpose Programs Including Children of the World</u>	<u>Management, Administrative and General</u>	<u>Fundraising</u>	
2023					
Salaries, wages, and benefits	\$ -	\$ -	\$ 60,049	\$ 967,324	\$ 1,027,373
Contributions	4,300,000	227,726	-	-	4,527,726
Supplies and other expenses	-	-	7,345	997,308	1,004,653
Depreciation	-	-	5,307	154,693	160,000
	<u>\$ 4,300,000</u>	<u>\$ 227,726</u>	<u>\$ 72,701</u>	<u>\$ 2,119,325</u>	<u>\$ 6,719,752</u>
	<u>The Center</u>	<u>Other Specific Purpose Programs Including Children of the World</u>	<u>Management, Administrative and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
2022					
Salaries, wages, and benefits	\$ -	\$ -	\$ 59,173	\$ 969,849	\$ 1,029,022
Contributions	4,000,000	232,232	-	-	4,232,232
Supplies and other expenses	-	-	9,117	657,750	666,867
Depreciation	-	-	6,244	148,864	155,108
	<u>\$ 4,000,000</u>	<u>\$ 232,232</u>	<u>\$ 74,534</u>	<u>\$ 1,776,463</u>	<u>\$ 6,083,229</u>

Deborah Hospital Foundation
Notes to Financial Statements
December 31, 2023 and 2022

12. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash and cash equivalents in financial institutions that regularly exceed the Federal Deposit Insurance Corporation limit. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Foundation's financial condition, results of operations and cash flows.

The Foundation routinely 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 by the U.S. government; however, insurance is maintained by investment brokers through the Securities Investor Protection Corporation ("SIPC"), which offers limited coverage up to a ceiling of \$500,000 (including a maximum of \$250,000 for claims of uninvested cash). The SIPC insurance does not protect against market losses on investments.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Deborah Heart and Lung Center	\$ 1,745,112	\$ 2,042,238
Subject to passage of time		
Beneficial interest in perpetual trusts	<u>6,296,368</u>	<u>5,747,912</u>
	<u>\$ 8,041,480</u>	<u>\$ 7,790,150</u>

14. SUBSEQUENT EVENTS

The Foundation evaluated its December 31, 2023 financial statements for subsequent events through May 23, 2024, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**Deborah Hospital Foundation
Summary of Revenues by Region
Year Ended December 31, 2023**

	<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	\$ 3,032,399	\$ 2,729,104	\$ 5,213	\$ 106,919	\$ 178,435	\$ 12,728
Tree of Life	<u>49,352</u>	<u>-</u>	<u>1,379</u>	<u>45,562</u>	<u>-</u>	<u>2,411</u>
Total public and chapter support	3,081,751	2,729,104	6,592	152,481	178,435	15,139
Corporate and foundation support	675,084	567,927	-	107,157	-	-
Legacies, bequests and annuities	11,668,335	4,156,398	28,941	-	7,482,996	-
Less: Amounts raised on behalf of others	<u>(7,180,254)</u>	<u>(7,180,254)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	8,244,916	273,175	35,533	259,638	7,661,431	15,139
Change in fair value of beneficial interest in perpetual trusts	548,456	548,456	-	-	-	-
Investment return, net	<u>1,768,909</u>	<u>1,768,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>\$ 10,562,281</u>	<u>\$ 2,590,540</u>	<u>\$ 35,533</u>	<u>\$ 259,638</u>	<u>\$ 7,661,431</u>	<u>\$ 15,139</u>

See Independent Auditor's Report.

Deborah Hospital Foundation
Summary of Revenues by Region
Year Ended December 31, 2022

Public and chapter support						
Chapters and miscellaneous	\$ 2,744,399	\$ 2,409,382	\$ 8,334	\$ 107,028	\$ 207,260	\$ 12,395
Tree of Life	<u>62,080</u>	<u>-</u>	<u>2,628</u>	<u>52,001</u>	<u>-</u>	<u>7,451</u>
Total public and chapter support	2,806,479	2,409,382	10,962	159,029	207,260	19,846
Corporate and foundation support	5,650,394	5,519,257	-	125	131,012	-
Legacies, bequests and annuities	5,174,555	2,798	19,279	-	5,152,478	-
Less: Amounts raised on behalf of others	<u>(3,872,831)</u>	<u>(3,872,831)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support	9,758,597	4,058,606	30,241	159,154	5,490,750	19,846
Change in fair value of beneficial interest in perpetual trusts	(1,453,343)	(1,453,343)	-	-	-	-
Investment return, net	<u>(1,976,285)</u>	<u>(1,976,285)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>\$ 6,328,969</u>	<u>\$ 628,978</u>	<u>\$ 30,241</u>	<u>\$ 159,154</u>	<u>\$ 5,490,750</u>	<u>\$ 19,846</u>

See Independent Auditor's Report.