DEBORAH HOSPITAL FOUNDATION
Financial Statements
December 31, 2018 and 2017
With Independent Auditors' Report

withum
ADVISORY TAX AUDIT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Deborah Hospital Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Deborah Hospital Foundation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Deborah Hospital Foundation as of December 31, 2018 and 2017, 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 2018 Deborah Hospital Foundation adopted new accounting guidance changing the manner it presents net assets and reports certain aspects of its financial statements as a not-for-profit entity. Our opinion is not modified with respect to this matter.

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, 2018 and 2017 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.

WithumSmith+Brown, PC

May 28, 2019

Deborah Hospital Foundation
Statements of Financial Position
As of December 31, 2018 and 2017

ASSETS	2018	2017
Cash and cash equivalents	$ 587,664	$ 571,419
Investments	9,964,638	14,483,008
Prepaid expenses and other assets	795,143	306,855
Assets restricted as to use:		
Annuity and life income	3,629,509	3,991,059
Donor restricted	908,630	776,829
Contributions receivable, net	1,204,948	512,182
Property, plant and equipment, net	1,850,812	3,463,713
Beneficial interest in perpetual trusts	5,541,901	6,115,034
Total assets	$ 24,483,245	$ 30,220,099

LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 26,971	$ 189,996
Accrued expenses	140,151	142,878
Due to Deborah Heart and Lung Center	2,550,026	4,663,394
Annuity and life income reserve	2,346,830	2,578,364
Total liabilities	5,063,978	7,574,632
Net assets		
Without donor restrictions	12,037,973	15,753,604
With donor restrictions	7,381,294	6,891,863
Total net assets	19,419,267	22,645,467
Total liabilities and net assets	$ 24,483,245	$ 30,220,099

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	--	(2,664,236)	(2,664,236)
Total public support	5,383,520	1,062,564	6,446,084
Other revenue (losses)			
Change in fair value of beneficial interest in perpetual trusts	--	(573,133)	(573,133)
Investment returns, net	(711,020)	--	(711,020)
Total other revenue (losses)	(711,020)	(573,133)	(1,284,153)
Total revenue	4,672,500	489,431	5,161,931
Expenses			
Program services			
Deborah Heart and Lung Center	4,500,000	--	4,500,000
Other specific purpose programs, including Children of the World	196,705	--	196,705
Total program services	4,696,705	--	4,696,705
Supporting services			
Management, administrative and general	86,261	--	86,261
Fundraising	2,312,655	--	2,312,655
Total supporting services	2,398,916	--	2,398,916
Total expenses	7,095,621	--	7,095,621
Changes in net assets before transfer	(2,423,121)	489,431	(1,933,690)
Transfer to Deborah Heart and Lung Center	1,292,510	--	1,292,510
Changes in net assets	(3,715,631)	489,431	(3,226,200)
Net assets, beginning of year	15,753,604	6,891,863	22,645,467
Net assets, end of year	$ 12,037,973	$ 7,381,294	$ 19,419,267

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

Deborah Hospital Foundation
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Public support			
Public donations	$ 2,338,413	$ 722,772	$ 3,061,185
Legacies, bequests, and annuities	1,247,663	2,199,567	3,447,230
Less: amounts raised on behalf of others	--	(3,414,202)	(3,414,202)
Total public support	3,586,076	(491,863)	3,094,213
Other revenue			
Change in fair value of beneficial interest in perpetual trusts	--	468,360	468,360
Investment returns, net	2,117,513	--	2,117,513
Total other revenue	2,117,513	468,360	2,585,873
Total revenue	5,703,589	(23,503)	5,680,086
Expenses			
Program services			
Deborah Heart and Lung Center	5,850,000	--	5,850,000
Other specific purpose programs, including Children of the World	195,972	--	195,972
Total program services	6,045,972	--	6,045,972
Supporting services			
Management, administrative and general	100,104	--	100,104
Fundraising	2,038,501	--	2,038,501
Total supporting services	2,138,605	--	2,138,605
Total expenses	8,184,577	--	8,184,577
Changes in net assets	(2,480,988)	(23,503)	(2,504,491)
Net assets, beginning of year	18,234,592	6,915,366	25,149,958
Net assets, end of year	$ 15,753,604	$ 6,891,863	$ 22,645,467

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

Deborah Hospital Foundation
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	$ (3,226,200)	$ (2,504,491)
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Net realized and unrealized gain on investments	(799,308)	(2,016,368)
Transfer to Deborah Heart and Lung Center	1,292,510	--
Depreciation	320,391	326,036
Change in beneficial interest in perpetual trusts	573,133	(468,360)
Changes in operating assets and liabilities:		
Contributions receivable, net	(692,766)	1,364,222
Prepaid expenses and other assets	(488,288)	73,475
Accounts payable	(163,025)	70,843
Accrued expenses	(2,727)	35,728
Due to Deborah Heart and Lung Center	(2,113,368)	623,279
Annuity and life income reserve	(231,534)	(116,409)
Net cash used by operating activities	(5,531,182)	(2,612,045)
Cash flows from investing activities		
Change in investments and assets restricted as to use	5,547,427	2,656,008
Net cash provided by investing activities	5,547,427	2,656,008
Increase in cash and cash equivalents	16,245	43,963
Cash and cash equivalents, beginning of year	571,419	527,456
Cash and cash equivalents, end of year	$ 587,664	$ 571,419

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

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, 2018 and 2017.

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.

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 change could materially affect the amounts reported in the financial statements.

Impairment of Investments

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the fair value of investments below cost will be considered other than temporary. There were no such losses reported for the years ended December 31, 2018 and 2017.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in revenue. 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. Contributions receivable were considered collectible at December 31, 2017, and as such, no allowance for uncollectible contributions receivable was recorded. At December 31, 2018 an allowance for uncollectible contributions receivable in the amount of $103,417 was recorded.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

The Foundation periodically evaluates property and equipment for impairment. Management believes that no revision to the remaining useful lives or write-down of long-lived assets was required at December 31, 2018 and 2017.

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.

New Accounting Pronouncements Not Yet Adopted
Revenue Recognition
In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 is effective for the Foundation beginning January 1, 2019. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Foundation is currently evaluating the impact of adoption of ASC 606. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Lease Transactions
In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" which is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. In addition to expanded disclosure requirements regarding leasing activities, the new standard significantly changes current lessee accounting for operating leases. Under the new standard all lessees will be required to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases of property and equipment, except for certain leases classified as short-term leases. The Foundation has not adopted the new standard in these financial statements and is presently evaluating the effect adoption will have on prospective financial statements. However, based on the Foundation's present leasing activities, management expects that adoption of the new standard will not require the recognition of significant, long-term right-of-use assets and a lease liability.

Restricted Cash
In November 2016, the FASB issued ASU 2016-18 "Statement of Cash Flows (Topic 230) – Restricted Cash" which is effective for fiscal years beginning after December 15, 2018 with early adoption permitted.

Under ASU 2016-18, the statement of cash flows requires an explanation of the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-year and end-of-year total amounts shown on the statement of cash flows.

Contributions
In June 2018, FASB issued ASU 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The new guidance assists not-for-profit entities in determining whether to account for a transfer of assets as a contribution or an exchange transaction. This update also clarifies that a contribution is conditional if the agreement includes both a barrier (as defined) and a right of return or release. The standard is effective for transactions in which the entity serves as a resource recipient for annual periods beginning after December 15, 2018, and interim periods beginning after December 15, 2019, and as a resource provider for annual periods beginning after December 15, 2019, and interim periods beginning after December 15, 2020.

Reclassification
As disclosed later in this note, the 2017 financial statements were reclassified for the adoption of ASU 2016-14. Changes in net assets and total net assets are unchanged due to the reclassifications.

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

The Foundation adopted ASU 2016-14 during the year ended December 31, 2018.

A recapitulation of the net asset reclassification driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total Net Assets
Net assets classifications			
As previously presented			
Unrestricted	$ 15,753,604	$ --	$ 15,753,604
Temporarily restricted	--	6,891,863	6,891,863
Permanently restricted	--	--	--
Net assets as reclassified	$ 15,753,604	$ 6,891,863	$ 22,645,467

3. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	$ 587,664
Investments	9,964,638
	$ 10,552,302

None of the financial assets listed in the table above are subject to donor or other contractual restrictions that make them unavailable for general expenditure 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 is 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

	2018	2017
Investments		
Cash and cash equivalents	$ 262,880	$ 355,330
Fixed income securities	2,761,904	3,127,652
Equity securities (including mutual funds)	6,908,529	10,963,236
Accrued interest receivable	31,325	36,790
Total	$ 9,964,638	$ 14,483,008
Assets restricted as to use - annuity and life income		
Cash and cash equivalents	$ 113,513	$ 118,969
Fixed income securities	2,612,560	2,806,138
Equity securities (including mutual funds)	903,436	1,065,952
Total	$ 3,629,509	$ 3,991,059
Assets restricted as to use - donor restricted		
Cash and cash equivalents	$ 908,630	$ 776,829

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, 2018 and 2017, 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 $513,678 and $599,851, respectively, for the annuity fund. In addition, the Foundation maintained $548,161 and $600,120 in investments in excess of the life income fund liability at December 31, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017:

December 31, 2018	Level 1	Level 2	Level 3	Total
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
Total	$ 9,303,700	$ 5,786,741	$ 5,541,901	$ 20,632,342

December 31, 2017	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,822,547	$ --	$ --	$ 1,822,547
Fixed income securities	--	5,970,580	--	5,970,580
Equity securities (including mutual funds)	11,648,236	380,952	--	12,029,188
Beneficial interest in perpetual trusts	--	--	6,115,034	6,115,034
Total	$ 13,470,783	$ 6,351,532	$ 6,115,034	$ 25,937,349

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, 2017	$ 5,646,674
Unrealized gains	468,360
At December 31, 2017	6,115,034
Unrealized losses	(573,133)
At December 31, 2018	$ 5,541,901

6. CONTRIBUTIONS RECEIVABLE

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

	2018	**2017**
Unrestricted to future periods	$ 436,672	$ 635,089
Restricted for capital campaign	1,119,027	--
Less: unamortized discount	(247,334)	(122,907)
Less: allowance for uncollectible contributions receivable	(103,417)	--
	$ 1,204,948	$ 512,182

Amounts due in:	
Less than one year	$ 390,424
One to five years	837,382
More than five years	327,893
Total	$ 1,555,699

The interest rate used for discounting ranged from 3.00% to 3.25%, 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

	Depreciable Lives	2018	2017
Land		$ 553,516	$ 553,516
Land improvements	10 – 20 years	74,884	74,884
Buildings and building improvements	5 – 20 years*	3,560,369	8,102,388
Furniture, fixtures, and equipment	3 – 20 years	607,172	607,171
		4,795,940	9,337,959
Less: accumulated depreciation		(2,945,128)	(5,874,246)
		$ 1,850,812	$ 3,463,713

* Included in buildings and building improvements at December 31, 2017 was a building with a depreciable life of 40 years. The title to this building was transferred to the Center on December 31, 2018 (See Note 14).

Depreciation expense was $320,391 and $326,036 for the years ended December 31, 2018 and 2017, respectively.

8. LONG-TERM DEBT

The Foundation has an agreement for a line of credit in the amount of $6,137,516 and $6,425,000 at December 31, 2018 and 2017, respectively, at an interest rate of LIBOR plus 2.25%, which includes two letters of credit totaling $875,000 and $1,075,000 at December 31, 2018 and 2017, respectively, which expire July 23, 2019, 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 $5,262,516 and $5,350,000 at December 31, 2018 and 2017, respectively. Although the line of credit is in the Foundation's name, and collateralized by up to approximately $8,382,000 of Foundation assets based on the outstanding balance at December 31, 2018, 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, 2018 and 2017.

9. RELATED ORGANIZATION

Contributions by the Foundation to the Center for operations amounted to $4,500,000 and $5,850,000 in 2018 and 2017, respectively. Funding by the Foundation to the Center for the Children of the World and other specific purpose programs amounted to $196,705 and $195,972 in 2018 and 2017, 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 $6,529,006 and $5,896,050 at December 31, 2018 and 2017, 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 2019. The Foundation has pledged to provide its resources to the Center, as necessary, to allow the Center to fund its operations. At December 31, 2018 and 2017, the Foundation owed the Center $2,550,026 and $4,663,394, 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, 2018 and 2017.

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

	2018	2017
Assets	$ 116,986,708	$ 115,137,724
Liabilities	$ 67,505,083	$ 69,190,476
Net assets		
Without donor restrictions	40,794,505	37,486,079
With donor restrictions	8,687,120	8,461,169
Total liabilities and net assets	$ 116,986,708	$ 115,137,724
Revenue		
Net patient service revenue	$ 184,615,659	$ 174,882,211
Other revenue, gains and losses	6,155,435	9,820,639
Total revenue	190,771,094	184,702,850
Total expenses	195,021,819	187,503,472
Loss from operations	(4,250,725)	(2,800,622)
Nonoperating revenue		
Contributions from Deborah Hospital Foundation	4,500,000	5,850,000
Excess of revenue over expenses	249,275	3,049,378
Other changes in net assets without donor restrictions, net	1,766,641	1,857,419
Changes in net assets without donor restrictions	2,015,916	4,906,797
Changes in net assets with donor restrictions	225,951	119,287
Transfer from Deborah Hospital Foundation	1,292,510	--
Net assets, beginning of year	45,947,248	40,921,164
Net assets, end of year	$ 49,481,625	$ 45,947,248

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, 2018 and 2017.

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 $24,517 and $25,240 for the years ended December 31, 2018 and 2017, 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, 2018 and 2017 consists of the following:

	Program Services		Supporting Services		
2018	The Center	Other Specific Purpose Programs, Including Children of the World	Management, Administrative and General	Fundraising	Total Expenses
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
Total expenses	$ 4,500,000	$ 196,705	$ 86,261	$ 2,312,655	$ 7,095,621

	Program Services		Supporting Services		
2017	The Center	Other Specific Purpose Programs, Including Children of the World	Management, Administrative and General	Fundraising	Total Expenses
Salaries, wages, and benefits	$ --	$ --	$ 59,173	$ 912,863	$ 972,036
Contributions	5,850,000	195,972	--	--	6,045,972
Supplies and other expenses	--	--	24,630	815,903	840,533
Depreciation	--	--	16,301	309,735	326,036
Total expenses	$ 5,850,000	$ 195,972	$ 100,104	$ 2,038,501	$ 8,184,577

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:

	2018	2017
Subject to expenditure for specified purpose		
Deborah Heart and Lung Center	$ 1,813,708	$ 710,255
Children of the World	25,685	66,574
Subject to passage of time		
Beneficial interest in perpetual trusts	5,541,901	6,115,034
	$ 7,381,294	$ 6,891,863

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 title to the Cmyrot 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, 2018 financial statements for subsequent events through May 28, 2019, 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, 2018

	Total	National	Pennsylvania	New York	New Jersey	Florida
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	(2,664,236)	(2,664,236)	--	--	--	--
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	(711,020)	(711,020)	--	--	--	--
Total revenue	$ 5,161,931	$ 58,990	$ 50,325	$ 156,766	$ 4,860,774	$ 35,076

See Independent Auditors’ Report.

Deborah Hospital Foundation
Summary of Revenues by Region
Year Ended December 31, 2017

	Total	National	Pennsylvania	New York	New Jersey	Florida
Public and chapter support						
Chapters and miscellaneous	$ 1,897,213	$ 1,409,781	$ 14,912	$ 105,846	$ 328,231	$ 38,443
Tree of Life	68,322	--	4,380	1,932	52,293	9,717
Total public and chapter support	1,965,535	1,409,781	19,292	107,778	380,524	48,160
Corporate and foundation support	1,095,650	925,065	--	50	165,535	5,000
Legacies, bequests and annuities	3,447,230	103,489	26,077	291	3,317,373	--
Less: amounts raised on behalf of others	(3,414,202)	(3,414,202)	--	--	--	--
Total public support	3,094,213	(975,867)	45,369	108,119	3,863,432	53,160
Change in fair value of beneficial interest in perpetural trusts	468,360	468,360	--	--	--	--
Investment return, net	2,117,513	2,117,513	--	--	--	--
Total revenue	$ 5,680,086	$ 1,610,006	$ 45,369	$ 108,119	$ 3,863,432	$ 53,160

See Independent Auditors' Report.