



**Financial Statements
(Together with Independent Auditors' Report)**

For The Years Ended December 31, 2018 and 2017

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of the
Vellore Christian Medical College Foundation, Inc.

We have audited the accompanying financial statements of The Vellore Christian Medical College Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses 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 audit 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 auditors consider 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 the Vellore Christian Medical College Foundation, Inc. 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

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, the Foundation adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities". Our opinion is not modified with respect to this matter.

Marks Paneth LLP

New York, NY
May 20, 2019

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents (Notes 2C, 8 and 9) | \$ 348,204 | \$ 226,747 |
| Investments (Notes 2D, 2E, 4 and 5) | 6,498,819 | 6,816,141 |
| Pledges receivable (Notes 2F and 6) | 119,985 | 112,254 |
| Beneficial interest in trust (Note 2G) | 6,715 | 7,721 |
| Prepaid expenses and other | 8,628 | 9,234 |
| Property and equipment, net (Notes 2H and 7) | 4,500 | 14,300 |
| TOTAL ASSETS | \$ 6,986,851 | \$ 7,186,397 |
| LIABILITIES | | |
| Accounts payable and accrued expenses (Note 9) | \$ 174,384 | \$ 193,005 |
| TOTAL LIABILITIES | 174,384 | 193,005 |
| COMMITMENTS AND CONTINGENCIES (Note 9) | | |
| NET ASSETS (Note 2B) | | |
| Without Donor Restrictions: | | |
| Operating | 312,521 | 285,842 |
| Board designated (Note 10) | 2,441,483 | 2,722,480 |
| Total without donor restrictions | 2,754,004 | 3,008,322 |
| With donor restrictions (Note 10) | | |
| Time and purpose restricted | 2,041,335 | 1,967,942 |
| Endowment in perpetuity (Note 10) | 2,017,128 | 2,017,128 |
| Total With donor restrictions (Note 10) | 4,058,463 | 3,985,070 |
| TOTAL NET ASSETS | 6,812,467 | 6,993,392 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 6,986,851 | \$ 7,186,397 |

The accompanying notes are an integral part of these financial statements.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>For the Year Ended December 31, 2018</u> | | | <u>For the Year Ended December 31, 2017</u> | | |
|---|---|------------------------------------|---------------------|---|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| OPERATING SUPPORT AND REVENUE: | | | | | | |
| Contributions | | | | | | |
| Individuals | \$ 168,984 | \$ 541,710 | \$ 710,694 | \$ 193,847 | \$ 282,509 | \$ 476,356 |
| Groups | 5,628 | 3,289 | 8,917 | 5,025 | 9,050 | 14,075 |
| Foundations, corporations and trusts | 372 | 5,000 | 5,372 | 508 | 140,698 | 141,206 |
| Institutional members | 16,950 | 34,205 | 51,155 | 11,000 | 53,505 | 64,505 |
| Special Events (net of direct expenses of \$42,205 and \$5,563) | 54,640 | - | 54,640 | 3,995 | - | 3,995 |
| Donated goods and services (Note 2I) | 6,714 | - | 6,714 | 7,094 | - | 7,094 |
| | <u>253,288</u> | <u>584,204</u> | <u>837,492</u> | <u>221,469</u> | <u>485,762</u> | <u>707,231</u> |
| Other revenue | 6,152 | - | 6,152 | 6,854 | - | 6,854 |
| Investment earnings appropriated for operations (Note 10) | 319,327 | - | 319,327 | 313,203 | - | 313,203 |
| Net assets released from restrictions (Notes 2I and 10) | 416,580 | (416,580) | - | 358,834 | (358,834) | - |
| | <u>995,347</u> | <u>167,624</u> | <u>1,162,971</u> | <u>900,360</u> | <u>126,928</u> | <u>1,027,288</u> |
| TOTAL OPERATING SUPPORT AND REVENUE | | | | | | |
| OPERATING EXPENSE (Note 2J): | | | | | | |
| Program services: | | | | | | |
| India | 548,052 | - | 548,052 | 417,848 | - | 417,848 |
| USA | 135,575 | - | 135,575 | 304,620 | - | 304,620 |
| Total program services | <u>683,627</u> | <u>-</u> | <u>683,627</u> | <u>722,468</u> | <u>-</u> | <u>722,468</u> |
| Supporting services: | | | | | | |
| Management and general | 207,948 | - | 207,948 | 202,884 | - | 202,884 |
| Fundraising | 77,093 | - | 77,093 | 68,948 | - | 68,948 |
| Total supporting services | <u>285,041</u> | <u>-</u> | <u>285,041</u> | <u>271,832</u> | <u>-</u> | <u>271,832</u> |
| | <u>968,668</u> | <u>-</u> | <u>968,668</u> | <u>994,300</u> | <u>-</u> | <u>994,300</u> |
| TOTAL OPERATING EXPENSES | | | | | | |
| CHANGE IN NET ASSETS FROM OPERATIONS | <u>26,679</u> | <u>167,624</u> | <u>194,303</u> | <u>(93,940)</u> | <u>126,928</u> | <u>32,988</u> |
| NON-OPERATING ACTIVITY: | | | | | | |
| Investment activity (Notes 2D and 4) | (39,358) | (16,543) | (55,901) | 548,138 | 260,930 | 809,068 |
| Appropriations for operations (Note 10) | (241,639) | (77,688) | (319,327) | (313,203) | - | (313,203) |
| | <u>(280,997)</u> | <u>(94,231)</u> | <u>(375,228)</u> | <u>234,935</u> | <u>260,930</u> | <u>495,865</u> |
| TOTAL NON-OPERATING ACTIVITY | | | | | | |
| CHANGE IN NET ASSETS | (254,318) | 73,393 | (180,925) | 140,995 | 387,858 | 528,853 |
| Net assets - beginning of year | <u>3,008,322</u> | <u>3,985,070</u> | <u>6,993,392</u> | <u>2,867,327</u> | <u>3,597,212</u> | <u>6,464,539</u> |
| NET ASSETS - END OF YEAR | <u>\$ 2,754,004</u> | <u>\$ 4,058,463</u> | <u>\$ 6,812,467</u> | <u>\$ 3,008,322</u> | <u>\$ 3,985,070</u> | <u>\$ 6,993,392</u> |

The accompanying notes are an integral part of these financial statements.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

| | Program Services | | | Supporting Services | | | Total 2018 | Total 2017 |
|---|-------------------|-------------------|------------------------------|---------------------------|------------------|---------------------------------|-------------------|-------------------|
| | India | USA | Total Program Services | Management and General | Fundraising | Total Supporting Services | | |
| Salaries | \$ - | \$ 57,201 | \$ 57,201 | \$ 71,469 | \$ 27,999 | \$ 99,468 | \$ 156,669 | \$ 312,069 |
| Payroll taxes and employee benefits (Note 11) | - | 8,075 | 8,075 | 10,090 | 3,953 | 14,043 | 22,118 | 46,180 |
| Total Salaries and Related Costs | - | 65,276 | 65,276 | 81,559 | 31,952 | 113,511 | 178,787 | 358,249 |
| Grants (Note 2K) | 544,268 | - | 544,268 | - | - | - | 544,268 | 415,130 |
| Travel, Meal and Accomodations | 3,784 | 4,846 | 8,630 | 10,087 | 2,165 | 12,252 | 20,882 | 18,781 |
| Occupancy (Note 9) | - | 8,773 | 8,773 | 11,273 | 4,294 | 15,567 | 24,340 | 24,264 |
| Telephone and Communications | - | 5,694 | 5,694 | 3,759 | 1,086 | 4,845 | 10,539 | 9,548 |
| Payroll processing fees | - | 615 | 615 | 768 | 301 | 1,069 | 1,684 | 1,372 |
| Transaction processing services | - | 4,725 | 4,725 | - | - | - | 4,725 | 4,793 |
| Professional fees (Note 2I) | - | 12,004 | 12,004 | 70,177 | 10,158 | 80,335 | 92,339 | 51,612 |
| Office Expenses | - | 1,074 | 1,074 | 10,822 | 3,237 | 14,059 | 15,133 | 15,988 |
| Insurance | - | - | - | 10,103 | - | 10,103 | 10,103 | 9,991 |
| Printing and fundraising fees | - | 24,357 | 24,357 | - | 23,900 | 23,900 | 48,257 | 61,538 |
| Depreciation (Notes 2H and 7) | - | 7,840 | 7,840 | 1,960 | - | 1,960 | 9,800 | 10,600 |
| Other | - | 371 | 371 | 7,440 | - | 7,440 | 7,811 | 12,434 |
| TOTAL EXPENSES | \$ 548,052 | \$ 135,575 | \$ 683,627 | \$ 207,948 | \$ 77,093 | \$ 285,041 | \$ 968,668 | \$ 994,300 |

The accompanying notes are an integral part of these financial statements.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Program Services | | | Supporting Services | | | Total |
|---|-------------------|-------------------|------------------------------|---------------------------|------------------|---------------------------------|-------------------|
| | India | USA | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Salaries | \$ - | \$ 183,808 | \$ 183,808 | \$ 85,739 | \$ 42,522 | \$ 128,261 | \$ 312,069 |
| Payroll taxes and employee benefits (Note 11) | - | 27,200 | 27,200 | 12,688 | 6,292 | 18,980 | 46,180 |
| Total Salaries and Related Costs | - | 211,008 | 211,008 | 98,427 | 48,814 | 147,241 | 358,249 |
| Grants (Note 2K) | 415,130 | - | 415,130 | - | - | - | 415,130 |
| Travel, Meal and Accomodations | 2,718 | 1,187 | 3,905 | 11,537 | 3,339 | 14,876 | 18,781 |
| Occupancy (Note 9) | - | 13,946 | 13,946 | 7,092 | 3,226 | 10,318 | 24,264 |
| Telephone and Communications | - | 5,595 | 5,595 | 2,907 | 1,046 | 3,953 | 9,548 |
| Payroll processing fees | - | 808 | 808 | 377 | 187 | 564 | 1,372 |
| Transaction processing services | - | 4,793 | 4,793 | - | - | - | 4,793 |
| Professional fees (Note 2I) | - | - | - | 51,612 | - | 51,612 | 51,612 |
| Office Expenses | - | 5,920 | 5,920 | 10,068 | - | 10,068 | 15,988 |
| Insurance | - | - | - | 9,991 | - | 9,991 | 9,991 |
| Printing and fundraising fees | - | 52,365 | 52,365 | - | 9,173 | 9,173 | 61,538 |
| Depreciation (Notes 2H and 7) | - | 8,480 | 8,480 | 2,120 | - | 2,120 | 10,600 |
| Other | - | 518 | 518 | 8,753 | 3,163 | 11,916 | 12,434 |
| TOTAL EXPENSES | <u>\$ 417,848</u> | <u>\$ 304,620</u> | <u>\$ 722,468</u> | <u>\$ 202,884</u> | <u>\$ 68,948</u> | <u>\$ 271,832</u> | <u>\$ 994,300</u> |

The accompanying notes are an integral part of these financial statements.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|---|--------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from contributors | \$ 865,252 | \$ 636,386 |
| Investment return | 91,611 | 89,983 |
| Grants paid to Vellore | (544,268) | (411,948) |
| Cash received from other revenue | 6,152 | 6,854 |
| Payments for other expenses | (467,100) | (589,217) |
| Net Cash Used in Operating Activities | (48,353) | (267,942) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 261,303 | 215,265 |
| Purchases of investments | (91,493) | (89,846) |
| Net Cash Provided by Investing Activities | 169,810 | 125,419 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 121,457 | (142,523) |
| Cash and cash equivalents - beginning of year | 226,747 | 369,270 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 348,204 | \$ 226,747 |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES | | |
| Change in net assets | \$ (180,925) | \$ 528,853 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation expense | 9,800 | 10,600 |
| Realized and unrealized loss (gain) on investments | 147,512 | (719,085) |
| Subtotal | (23,613) | (179,632) |
| Changes in assets and liabilities: | | |
| Decrease (increase) in assets: | | |
| Pledges receivable | (7,731) | (63,751) |
| Beneficial interest in trust | 1,006 | (385) |
| Prepaid expenses and other | 606 | (724) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (18,621) | (23,450) |
| Net Cash Used in Operating Activities | \$ (48,353) | \$ (267,942) |

The accompanying notes are an integral part of these financial statements.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES

The Vellore Christian Medical College Foundation, Inc. (the “Foundation”) is a non-profit organization (formed in New York) exempt from federal taxes under section 501(c)(3) of the Internal Revenue Code. The Foundation’s mission is to provide a focus for excellence and integrity at Christian Medical College, Vellore (“CMC”) through participation in and continuing support of CMC’s drive to provide universal access to quality medicine and compassionate healthcare.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Basis of Accounting** – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

B. **Net Assets** – The Foundation maintains its net assets under the following two classes:

Without Donor Restrictions – Net assets without donor restrictions represent the portion of net assets of the Foundation that is not restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Net assets without donor restrictions include amounts designated for use by the Board as a quasi-endowment.

With Donor Restrictions – Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. In addition, earnings on endowment assets are classified as net assets with donor restrictions until appropriated for operations by the Board. When such stipulations end or are fulfilled, net assets with restrictions are reported in the statement of activities as net assets released from restrictions.

C. **Cash and Cash Equivalents** – Cash equivalents include all highly liquid instruments with maturities of three months or less when acquired.

D. **Investments** – Investments are stated at their fair value. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur. Investment purchases and sales are recorded in a trade date basis. Dividend income is recognized on the date dividends are declared. Discounts/premiums received to par on fixed income securities are capitalized and accreted or amortized into income over the life of the securities. Any remaining discount/premium is accreted or amortized into income upon early maturity or sale of the instrument.

E. **Fair Value Measurements** – Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

F. **Pledges Receivable** – Pledges are recorded as revenue when received as unconditionally promised. It is the Foundation’s practice to discount pledges receivable due in more than one year to present value unless the amount is immaterial. Historically, the Foundation has not experienced significant bad debt losses. The Foundation bases its allowance for doubtful accounts on its historical loss experience, the age of the receivables, and an evaluation of the creditworthiness of the donor. Pledges receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. The Foundation has determined that no allowance was necessary as of December 31, 2018 and 2017.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. **Beneficial Interest in Trust** – The Foundation has been named a beneficiary in a charitable remainder unitrust. The Foundation will receive 50% of the balance of the trust after the passing of a named beneficiary. As of December 31, 2018 and 2017, the Foundation’s interest in this trust amounted to \$6,715 and \$7,721, respectively.
- H. **Property and Equipment** – Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Property and equipment is depreciated on a straight-line basis over the estimated useful life of the asset. The Foundation capitalizes property and equipment having a cost of \$1,000 or more and a useful life of at least one year.
- I. **Contributions** – The Foundation report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In-kind contributions are recorded at their fair value on the date received. Contributed services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions received by the Foundation for the years ended December 31, 2018 and 2017, amounted to \$6,714 and \$7,094, respectively, and are included in contributions which are offset by like amounts included in the functional expenses.
- J. **Functional Allocation of Expenses** – The Foundation allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified as belonging to a specific program and/or supporting services are allocated directly according to their natural expenditure classification. Certain costs have been allocated among the program and supporting services benefited. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.
- K. **Grant Expense** – Grants made, including unconditional promises to give, are recognized as an expense in the period made.
- L. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- M. **New Accounting Pronouncement** – Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, “Not-for-Profit Entities” was adopted for the year ended December 31, 2018. ASU 2016-14 provides for a number of changes, including the presentation of two classes of net assets and enhanced disclosure on liquid resources and expense allocation. These changes had no impact on the change in net assets for the year ended December 31, 2018. Net assets as of December 31, 2017 were reclassified to conform to the new presentation.

NOTE 3—LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENSES

The Foundation receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing program activities as well as service undertaken to support those activities to be general expenditures. The organization manages its liquidity and reserves following three guiding principles: operate within a prudent range of financial soundness and stability, maintain adequate liquid assets to fund near-term operating needs, and maintain sufficient

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3—LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENSES (Continued)

reserves to provide reasonable assurance that long-term obligations will be discharged. The organization's liquidity policy requires it to maintain its working capital, or its current assets less its current liabilities, at a minimum of 90 days of operating expenses. The organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, it forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually. During the year ended December 31, 2018, the level of liquidity and reserves was managed in accordance with the policy requirements.

As of December 31, 2018, financial assets were as follows:

| | | |
|--|----|-----------------------|
| Cash and cash equivalents | \$ | 348,204 |
| Investments | | 6,498,819 |
| Pledges receivable | | <u>119,985</u> |
| Total financial assets | | 6,967,008 |
| | | |
| Donor-imposed restrictions: | | |
| Funds subject to time and purpose restrictions | | (2,041,335) |
| Cash held for disbursement to Bayer | | (130,255) |
| Endowments | | <u>(2,017,128)</u> |
| Net financial assets after donor-imposed restrictions | | 2,778,290 |
| | | |
| Internal Designations: | | |
| Board-designated funds | | <u>(2,441,483)</u> |
| | | |
| Financial assets available to meet cash needs for general expenditures within one year | \$ | <u><u>336,807</u></u> |

NOTE 4—INVESTMENTS

Investments consist of financial assets carried at fair value at the following as of December 31, 2018 and 2017:

| | <u>2018</u> | | <u>2017</u> |
|--------------------|---------------------|-----------|------------------|
| Equities | \$ 4,011,025 | \$ | 4,214,956 |
| Money Market Funds | 419,913 | | 112,382 |
| Fixed Income | 2,037,509 | | 2,189,105 |
| Mutual Funds | <u>30,372</u> | | <u>299,698</u> |
| | <u>\$ 6,498,819</u> | <u>\$</u> | <u>6,816,141</u> |

Investments are subject to market volatility, which could substantially change the carrying value in the near-term.

NOTE 5—FAIR VALUE MEASUREMENTS

In determining fair value, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible, in its assessment of fair value.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 5—FAIR VALUE MEASUREMENTS (Continued)

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in equities, money market funds, and mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in fixed income are valued using quoted prices in inactive markets (Level 2). Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Financial assets carried at fair value at December 31, 2018, are classified in the table below as follows:

ASSETS CARRIED AT FAIR VALUE

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| Equities | \$ 4,011,025 | \$ - | \$ 4,011,025 |
| Money Market Funds | 419,913 | - | 419,913 |
| Fixed Income | 943,782 | 1,093,727 | 2,037,509 |
| Mutual Funds | <u>30,372</u> | <u>-</u> | <u>30,372</u> |
| TOTAL ASSETS AT FAIR VALUE | <u>\$ 5,405,092</u> | <u>\$ 1,093,727</u> | <u>\$ 6,498,819</u> |

Financial assets carried at fair value at December 31, 2017, are classified in the table below as follows:

ASSETS CARRIED AT FAIR VALUE

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| Equities | \$ 4,214,956 | \$ - | \$ 4,214,956 |
| Money Market Funds | 112,382 | - | 112,382 |
| Fixed Income | 841,160 | 1,347,945 | 2,189,105 |
| Mutual Funds | <u>299,698</u> | <u>-</u> | <u>299,698</u> |
| TOTAL ASSETS AT FAIR VALUE | <u>\$ 5,468,196</u> | <u>\$ 1,347,945</u> | <u>\$ 6,816,141</u> |

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2018 and 2017, there were no such transfers.

NOTE 6—PLEDGES RECEIVABLE

Pledges receivable are scheduled to be received as follows as of December 31:

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|--------------------------|--------------------------|
| Amount due in less than one year | <u>\$ 119,985</u> | <u>\$ 112,254</u> |
| | <u>\$ 119,985</u> | <u>\$ 112,254</u> |

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

| | <u>2018</u> | <u>2017</u> | <u>Estimated Useful Life</u> |
|--|-----------------|------------------|----------------------------------|
| Furniture, fixtures, and equipment, total cost | \$ 54,955 | \$ 98,544 | 5 years |
| Less: accumulated depreciation | <u>(50,455)</u> | <u>(84,244)</u> | |
| | <u>\$ 4,500</u> | <u>\$ 14,300</u> | |

Depreciation expense amounted to \$9,800 and \$10,600 for the years ended December 31, 2018 and 2017, respectively. The Foundation wrote off fully depreciated assets no longer in use amounting to \$43,589 during the year ended December 31, 2018.

NOTE 8—CONCENTRATION

Cash that potentially subjects the Foundation to a concentration of credit risk includes cash accounts with banks that at times exceed the Federal Deposit Insurance Corporation (“FDIC”) limits. Accounts are insured up to \$250,000 per depositor. As of December 31, 2018 and 2017, there was approximately \$98,000 and \$0, respectively, held by one bank that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 9—COMMITMENTS AND CONTINGENCIES

A. The Foundation has a lease agreement for the rental of its New York office space which expires in 2020. Approximate minimum annual rentals related to this lease are as follows for the years subsequent to December 31, 2018:

| | |
|------|------------------|
| 2019 | \$ 23,000 |
| 2020 | <u>24,000</u> |
| | <u>\$ 47,000</u> |

Rent expense amounted to \$24,028 and \$23,677 for the years ended December 31, 2018 and 2017, respectively, and is included in occupancy expenses in the accompanying statements of functional expenses.

B. The Foundation believes it has no uncertain income tax positions as of December 31, 2018 and 2017, in accordance with Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

C. The Foundation had approximately \$130,000 and \$170,000 held for CMC under an agency agreement as of December 31, 2018 and 2017, respectively. Such amounts are recorded as cash and cash equivalents and accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|-------------|-------------|
| Health programs | 230,533 | 197,264 |
| Education programs | 116,595 | 35,637 |
| Assisted living residence | 361,014 | 361,014 |
| Capital/other programs | 75,174 | 20,772 |
| Time restricted | 6,715 | 7,721 |

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
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NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS (Continued)

| | 2018 | 2017 |
|-----------------------------------|--------------|--------------|
| Unappropriated endowment earnings | 1,251,304 | 1,345,534 |
| Endowment Net Assets | 2,017,128 | 2,017,128 |
| | \$ 4,058,463 | \$ 3,985,070 |

Net assets released from restrictions amounted to \$416,580 and \$358,834 during the years ended December 31, 2018 and 2017, respectively. In addition, \$77,688 and \$0 of accumulated endowment earnings were appropriated for operations during the years ended December 31, 2018 and 2017, respectively, and classified as net assets without donor restrictions.

ENDOWMENT NET ASSETS

The Foundation recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). In addition, the Foundation recognizes that NYPMIFA permits the Board of Directors to appropriate for expenditure all earnings of endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of the endowment’s market value. The investments of the Foundation include those assets of donor restricted funds that it must hold in perpetuity or for a donor specified period as well as board designated funds. In accordance with NYPMIFA, any unappropriated earnings on endowment funds that would otherwise be considered as net assets without donor restrictions by the donor should be reflected as net assets with donor restrictions until appropriated by the Board of Directors. The Foundation’s Board has interpreted NYPMIFA as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

The Foundation’s Board has approved a spending policy that appropriates for spending 5% of the average fair value of the prior five years.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. The Foundation has not incurred such deficiencies in its endowment funds as of December 31, 2018 and 2017.

The Foundation has adopted investment and spending policies that attempt to achieve total investment return, or aggregate return from appreciation or depreciation of capital, earnings from dividends, and interest income. The Foundation evaluates investment managers’ performance against weighted market indices and volatility metrics.

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

| | Net Assets Without Donor Restrictions (Board Designated) | Net Assets With Donor Restrictions (Un- Appropriated Earnings) | Net Assets With Donor Restrictions (Endowment Funds) | Total |
|-------------------------------------|--|--|--|--------------|
| Endowment assets, beginning of year | \$ 2,722,480 | \$ 1,345,535 | \$ 2,017,128 | \$ 6,085,143 |
| Investment activity | (39,358) | (16,543) | - | (55,901) |
| Appropriated for spending | (241,639) | (77,688) | - | (319,327) |
| Endowment assets, end of year | \$ 2,441,483 | \$ 1,251,304 | \$ 2,017,128 | \$ 5,709,915 |

**THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
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DECEMBER 31, 2018 AND 2017**

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS (Continued)

As of December 31, 2018, earnings on endowment funds are available as follows:

| | |
|--|---------------------|
| Principal balance with income with donor restrictions as to use | \$ 1,819,449 |
| Principal balance with income without donor restrictions as to use | <u>197,679</u> |
| | <u>\$ 2,017,128</u> |

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

| | <u>Net Assets Without Donor Restrictions (Board Designated)</u> | <u>Net Assets With Donor Restrictions (Un- Appropriated Earnings)</u> | <u>Net Assets With Donor Restrictions (Endowment Funds)</u> | <u>Total</u> |
|-------------------------------------|---|---|---|---------------------|
| Endowment assets, beginning of year | \$ 2,487,680 | \$ 1,084,605 | \$ 2,007,128 | \$ 5,579,413 |
| Investment activity | 548,003 | 260,930 | - | 808,933 |
| Contributions | - | - | 10,000 | 10,000 |
| Appropriated for spending | <u>(313,203)</u> | <u>-</u> | <u>-</u> | <u>(313,203)</u> |
| Endowment assets, end of year | <u>\$ 2,722,480</u> | <u>\$ 1,345,535</u> | <u>\$ 2,017,128</u> | <u>\$ 6,085,143</u> |

As of December 31, 2017, earnings on endowment funds are available as follows:

| | |
|--|---------------------|
| Principal balance with income restricted as to use | \$ 1,819,449 |
| Principal balance with income unrestricted as to use | <u>197,679</u> |
| | <u>\$ 2,017,128</u> |

NOTE 11—PENSION PLAN

The Foundation participates in a defined contribution retirement plan with the United Church of Christ for all of its qualified employees. Contributions to the plan are based upon a percentage of earnings of all eligible employees. Pension expense for the years ended December 31, 2018 and 2017, amounted to \$0 and \$6,784, respectively.

NOTE 12—SUBSEQUENT EVENTS

The Foundation has evaluated, for potential recognition and disclosure, events subsequent to the date of the statements of financial position through May 20, 2019, the date the financial statements were available to be issued.