VELLORE
CHRISTIAN MEDICAL COLLEGE
FOUNDATION

Financial Statements
(Together with Independent Auditors' Report)

Year Ended December 31, 2014

MARKS PANETH

ACCOUNTANTS & ADVISORS

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEAR ENDED DECEMBER 31, 2014

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MARKS PANETH
ACCOUNTANTS & ADVISORS

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 statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year 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 audit. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Vellore Christian Medical College Foundation, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended December 31, 2014, the Foundation realized that accumulated endowment earnings and a liability for an agency transaction had been recorded incorrectly. Accordingly, the net assets – beginning of year have been restated to reflect these changes. Our opinion is not modified with respect to that matter.

Marks Paneth LLP

New York, NY
June 3, 2015

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

ASSETS	
Cash and cash equivalents (Notes 2C, 7 and 8)	$ 401,188
Investments (Notes 2D, 2E, 3 and 4)	6,123,516
Pledges receivable (Notes 2F and 5)	216,057
Beneficial interest in trusts (Note 2G)	20,478
Prepaid expenses and other	591
Property and equipment, net (Notes 2H and 6)	46,101
TOTAL ASSETS	$ 6,807,931
LIABILITIES	
Accounts payable and accrued expenses (Note 8)	$ 238,577
TOTAL LIABILITIES	238,577
COMMITMENTS AND CONTINGENCIES (Note 8)	
NET ASSETS (Note 2B)	
Unrestricted:	
Operating	174,327
Board designated (Note 10)	2,645,039
Total Unrestricted	2,819,366
Temporarily restricted (Note 9)	1,749,639
Permanently restricted (Note 10)	2,000,349
TOTAL NET ASSETS	6,569,354
TOTAL LIABILITIES AND NET ASSETS	$ 6,807,931

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

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014
OPERATING SUPPORT AND REVENUE:				
Contributions (Note 2I)				
Individuals	$ 88,759	$ 601,973	$ 41,332	$ 732,064
Groups	7,909	-	-	7,909
Institutional members	26,396	-	-	26,396
	123,064	601,973	41,332	766,369
Government grants	93,037	-	-	93,037
Other revenue	766	-	-	766
Investment earnings appropriated for operations (Note 9)	269,686	-	-	269,686
Net assets released from restrictions (Notes 2I and 9)	176,068	(176,068)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	662,621	425,905	41,332	1,129,858
OPERATING EXPENSE (Note 2J):				
Program services:				
India	228,295	-	-	228,295
USA	426,597	-	-	426,597
Total program services	654,892	-	-	654,892
Supporting services:				
Management and general	142,671	-	-	142,671
Fundraising	86,287	-	-	86,287
Total supporting services	228,958	-	-	228,958
TOTAL OPERATING EXPENSES	883,850	-	-	883,850
CHANGE IN NET ASSETS FROM OPERATIONS	(221,229)	425,905	41,332	246,008
NON-OPERATING REVENUE:				
Investment activity (Notes 2D and 3)	398,642	193,401	-	592,043
Appropriations for operations (Note 9)	(265,186)	(4,500)	-	(269,686)
TOTAL NON-OPERATING REVENUE	133,456	188,901	-	322,357
CHANGE IN NET ASSETS	(87,773)	614,806	41,332	568,365
Net assets - beginning of year as previously stated	1,386,948	2,835,516	1,959,017	6,181,481
Prior period adjustments (Note 13)	1,520,191	(1,700,683)	-	(180,492)
Net assets - beginning of year as restated	2,907,139	1,134,833	1,959,017	6,000,989
NET ASSETS - END OF YEAR	$ 2,819,366	$ 1,749,639	$ 2,000,349	$ 6,569,354

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, 2014

	Program Services			Supporting Services			
	India	USA	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ -	$ 207,320	$ 207,320	$ 53,488	$ 45,883	$ 99,371	$ 306,691
Payroll taxes and employee benefits (Note 11)	-	73,297	73,297	19,554	16,774	36,328	109,625
Total Salaries and Related Costs	-	280,617	280,617	73,042	62,657	135,699	416,316
Grants (Note 2K)	228,295	-	228,295	-	-	-	228,295
Travel	-	11,974	11,974	-	1,330	1,330	13,304
Occupancy	-	15,533	15,533	4,438	2,219	6,657	22,190
Telephone	-	2,709	2,709	1,129	677	1,806	4,515
Conferences and meetings	-	17,463	17,463	5,796	-	5,796	23,259
Data processing services	-	2,000	2,000	-	-	-	2,000
Professional fees	-	22,588	22,588	31,018	1,507	32,525	55,113
Equipment and office maintenance	-	6,137	6,137	5,278	1,723	7,001	13,138
Supplies	-	1,764	1,764	3,527	1,764	5,291	7,055
Postage	-	-	-	1,298	865	2,163	2,163
Insurance	-	-	-	6,458	-	6,458	6,458
Printing and fundraising fees	-	55,080	55,080	-	11,320	11,320	66,400
Depreciation (Notes 2H and 6)	-	4,271	4,271	1,220	610	1,830	6,101
Other	-	6,461	6,461	9,467	1,615	11,082	17,543
TOTAL EXPENSES	$ 228,295	$ 426,597	$ 654,892	$ 142,671	$ 86,287	$ 228,958	$ 883,850

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

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from contributors	$ 733,222
Cash received from government grants	93,037
Investment return	132,835
Grants paid to Vellore	(363,842)
Payments for other expenses	(687,738)
Net Cash Used in Operating Activities	(92,486)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of investments	378,208
Purchases of investments	(178,806)
Net Cash Provided by Investing Activities	199,402
NET INCREASE IN CASH AND CASH EQUIVALENTS	106,916
Cash and cash equivalents - beginning of year	294,272
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 401,188
RECONCILIAITON OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES	
Change in net assets	$ 568,365
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	6,101
Realized and unrealized gain on investments	(454,207)
Subtotal	120,259
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Pledges receivable	(33,147)
Beneficial interest in trusts	7,641
Prepaid expenses and other	25,436
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(212,675)
Net Cash Used in Operating Activities	$ (92,486)

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

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 three classes:

Unrestricted **-** Unrestricted net assets represent the portion of net assets of the Foundation that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted net assets include amounts designated for use by the Board.

Temporarily Restricted – 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 temporarily restricted until appropriated for operations by the Board. When such stipulations end or are fulfilled, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Permanently Restricted – net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

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 values. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned.

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 4.

F. **Pledges Receivable** – Pledges are recorded as revenue when the pledge is made. 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, 2014, for pledges receivable.

G. **Beneficial Interest in Trusts** – The Foundation has been named a beneficiary in two charitable remainder unitrusts. In one trust, the Foundation will receive 50% of the balance of the trust after the passing of a named beneficiary. In the second trust, the Foundation will receive 33% of the balance of the trust after the passing of a named beneficiary. As of December 31, 2014, the Foundation's interest in these trusts amounted to $20,478.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, temporally restricted net assets are reclassified to unrestricted net assets 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.

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.

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.

NOTE 3—INVESTMENTS

Investments consist of the following as of December 31, 2014:

Equities	$ 3,881,813
Money Market Funds	274,629
Fixed Income	1,715,649
Mutual Funds	251,425
	$ 6,123,516

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

Investment activity consisted of the following for the year ended December 31, 2014:

Interest and dividends	$ 165,843
Realized and unrealized gains	454,207
Investment fees	(28,007)
	$ 592,043

NOTE 4—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.
>
> 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, 2014, are classified as follows:

ASSETS CARRIED AT FAIR VALUE

	Level 1	Level 2	Total
Equities	$ 3,881,813	$ -	$ 3,881,813
Money Market Funds	274,629	-	274,629
Fixed Income	-	1,715,649	1,715,649
Mutual Funds	251,425	-	251,425
TOTAL ASSETS AT FAIR VALUE	$ 4,407,867	$ 1,715,649	$ 6,123,516

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 year ended December 31, 2014, there were no such transfers.

NOTE 5—PLEDGES RECEIVABLE

As of December 31, 2014, pledges receivable are scheduled to be received as follows:

Amount due in less than one year	$ 124,207
Amount due in two to five years	91,850
	$ 216,057

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2014:

		Estimated Useful Life
Furniture, fixtures, and equipment	$ 98,544	5 years
Total cost	98,544	
Less: accumulated depreciation	(52,443)	
	$ 46,101	

Depreciation expense amounted to $6,101 for the year ended December 31, 2014.

NOTE 7—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, 2014, there was approximately $151,000 held by banks that exceeded FDIC limits.

NOTE 8—COMMITMENTS AND CONTINGENCIES

A. The Foundation has a lease agreement for the rental of its New York office space which expires in 2017. Approximate minimum annual rentals related to this lease are as follows for years subsequent to December 31, 2014:

2015	$ 21,000
2016	21,000
2017	11,000
	$ 53,000

B. The Foundation has no uncertain income tax positions as of December 31, 2014, 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. The Foundation is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before 2011.

C. As of December 31, 2014, the Foundation had approximately $180,000 held for CMC in an agency agreement. Such amounts is recorded as cash and cash equivalents and accounts payable and accrued expenses in the accompanying statement of financial position.

NOTE 9—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2014:

Health programs	$ 81,424
Education programs	56,022
Assisted living residence	397,165
Capital/other programs	181,031
Time restricted	20,478
Unappropriated endowment earnings	1,013,519
	$ 1,749,639

NOTE 9—TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets released from restrictions amounted to $176,068 during the year ended December 31, 2014. In addition, $4,500 of accumulated endowment earnings was appropriated for operations during the year ended December 31, 2014, and classified as unrestricted.

NOTE 10—ENDOWMENT NET ASSETS

The Foundation recognizes that New York State adopted as law the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. 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 unrestricted by the donor should be reflected as temporarily restricted 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 three 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 unrestricted net assets. The Foundation has not incurred such deficiencies in its endowment funds as of December 31, 2014.

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 form 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, 2014, are as follows:

	Unrestricted (Board Designated)	Temporarily Restricted (Un-Appropriated Earnings)	Permanently Restricted	Total
Endowment assets, beginning of year	$ 2,511,583	$ 824,618	$ 1,959,017	$ 5,295,218
Investment activity	398,642	193,401	-	592,043
Contributions	-	-	41,332	41,332
Appropriated for spending	(265,186)	(4,500)	-	(269,686)
Endowment assets, end of year	$ 2,645,039	$ 1,013,519	$ 2,000,349	$ 5,658,907

As of December 31, 2014, earnings on permanently restricted net assets are available as follows:

Income restricted as to use	$ 1,685,274
Income unrestricted as to use	315,075
	$ 2,000,349

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 year ended December 31, 2014, was approximately $31,000.

NOTE 12—SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through June 3, 2015, the date the financial statements were available to be issued.

NOTE 13—PRIOR PERIOD ADJUSTMENTS

A. Subsequent to the issuance of the Foundation's December 31, 2013, financial statements, management discovered that accumulated endowment earnings had been misstated. Accordingly, the beginning unrestricted net assets at January 1, 2014, were understated by $1,520,191 and the beginning temporarily restricted net assets at January 1, 2014, were overstated by $1,520,191 and the financial statements were adjusted to reflect these items as a prior period adjustment.

B. Subsequent to the issuance of the Foundation's December 31, 2013, financial statements, management discovered that a liability had not been recorded for certain assets held in trust. Accordingly, the beginning net assets at January 1, 2014, were overstated by $180,492 and the financial statements were adjusted to reflect these items as a prior period adjustment.

The adjustments did not have an effect on the change in net assets for the year ended December 31, 2013. Below is a summary of the adjustment to beginning net assets:

	As Previously Reported	As Restated	Difference
Unrestricted net assets – December 31, 2013	$ 1,386,948	$ 2,907,139	$ 1,520,191
Temporarily restricted net assets – December 31, 2013	2,835,516	1,134,833	(1,700,683)