



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

For the Years Ended December 31, 2019 and 2018

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)**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position	2
Statements of Activities.....	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-14

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, 2019 and 2018, 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 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, 2019 and 2018, 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.

Marks Paneth LLP

New York, NY
June 18, 2020

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2C, 8 and 9)	\$ 400,767	\$ 348,204
Investments (Notes 2D, 2E, 4 and 5)	8,460,205	6,498,819
Pledges receivable (Notes 2F and 6)	45,800	119,985
Beneficial interest in trust (Note 2G)	7,068	6,715
Prepaid expenses and other	8,032	8,628
Property and equipment, net (Notes 2H and 7)	-	4,500
TOTAL ASSETS	\$ 8,921,872	\$ 6,986,851
LIABILITIES		
Accounts payable and accrued expenses (Note 9)	\$ 188,418	\$ 174,384
TOTAL LIABILITIES	188,418	174,384
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2B)		
Without Donor Restrictions:		
Operating	338,933	312,521
Board designated (Note 10)	4,052,636	2,441,483
Total without donor restrictions	4,391,569	2,754,004
With donor restrictions (Note 10)		
Time and purpose restricted	2,324,757	2,041,335
Endowment in perpetuity (Note 10)	2,017,128	2,017,128
Total with donor restrictions (Note 10)	4,341,885	4,058,463
TOTAL NET ASSETS	8,733,454	6,812,467
TOTAL LIABILITIES AND NET ASSETS	\$ 8,921,872	\$ 6,986,851

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, 2019 AND 2018

	For the Year Ended December 31, 2019			For the Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE:						
Contributions						
Individuals	\$ 1,606,994	\$ 593,714	\$ 2,200,708	\$ 168,984	\$ 541,710	\$ 710,694
Groups	10,325	7,665	17,990	5,628	3,289	8,917
Foundations, corporations and trusts	538	30,000	30,538	372	5,000	5,372
Institutional members	10,000	34,441	44,441	16,950	34,205	51,155
Special Events (net of direct expenses of \$0 and \$42,205)	-	-	-	54,640	-	54,640
Donated goods and services (Note 2I)	-	-	-	6,714	-	6,714
	<u>1,627,857</u>	<u>665,820</u>	<u>2,293,677</u>	<u>253,288</u>	<u>584,204</u>	<u>837,492</u>
Other revenue	403	-	403	6,152	-	6,152
Investment earnings appropriated for operations (Note 10)	342,694	-	342,694	319,327	-	319,327
Net assets released from restrictions (Notes 2I and 10)	<u>723,601</u>	<u>(723,601)</u>	<u>-</u>	<u>416,580</u>	<u>(416,580)</u>	<u>-</u>
TOTAL OPERATING SUPPORT AND REVENUE	<u>2,694,555</u>	<u>(57,781)</u>	<u>2,636,774</u>	<u>995,347</u>	<u>167,624</u>	<u>1,162,971</u>
OPERATING EXPENSES (Note 2J):						
Program services:						
India	992,907	-	992,907	548,052	-	548,052
USA	<u>284,755</u>	<u>-</u>	<u>284,755</u>	<u>135,575</u>	<u>-</u>	<u>135,575</u>
Total program services	<u>1,277,662</u>	<u>-</u>	<u>1,277,662</u>	<u>683,627</u>	<u>-</u>	<u>683,627</u>
Supporting services:						
Management and general	206,167	-	206,167	207,948	-	207,948
Fundraising	<u>114,314</u>	<u>-</u>	<u>114,314</u>	<u>77,093</u>	<u>-</u>	<u>77,093</u>
Total supporting services	<u>320,481</u>	<u>-</u>	<u>320,481</u>	<u>285,041</u>	<u>-</u>	<u>285,041</u>
TOTAL OPERATING EXPENSES	<u>1,598,143</u>	<u>-</u>	<u>1,598,143</u>	<u>968,668</u>	<u>-</u>	<u>968,668</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>1,096,412</u>	<u>(57,781)</u>	<u>1,038,631</u>	<u>26,679</u>	<u>167,624</u>	<u>194,303</u>
NON-OPERATING ACTIVITY:						
Investment activity (Notes 2D and 4) (net of external and direct internal investment fees of \$35,770 and \$33,142)	844,847	380,203	1,225,050	(39,358)	(16,543)	(55,901)
Appropriations for operations (Note 10)	<u>(303,694)</u>	<u>(39,000)</u>	<u>(342,694)</u>	<u>(241,639)</u>	<u>(77,688)</u>	<u>(319,327)</u>
TOTAL NON-OPERATING ACTIVITY	<u>541,153</u>	<u>341,203</u>	<u>882,356</u>	<u>(280,997)</u>	<u>(94,231)</u>	<u>(375,228)</u>
CHANGE IN NET ASSETS	1,637,565	283,422	1,920,987	(254,318)	73,393	(180,925)
Net assets - beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 4,391,569</u>	<u>\$ 4,341,885</u>	<u>\$ 8,733,454</u>	<u>\$ 2,754,004</u>	<u>\$ 4,058,463</u>	<u>\$ 6,812,467</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, 2019
(With Comparative Totals for 2018)

	Program Services			Supporting Services			Total 2019	Total 2018
	India	USA	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ -	\$ 188,333	\$ 188,333	\$ 92,390	\$ 74,623	\$ 167,013	\$ 355,346	\$ 156,669
Payroll taxes and employee benefits (Note 11)	-	29,110	29,110	14,280	11,534	25,814	54,924	22,118
Total Salaries and Related Costs	-	217,443	217,443	106,670	86,157	192,827	410,270	178,787
Grants (Note 2K)	975,600	7,001	982,601	-	-	-	982,601	544,268
Travel, meal and accommodations	2,553	7,775	10,328	16,224	6,038	22,262	32,590	20,882
Occupancy (Note 9)	-	12,956	12,956	6,993	5,133	12,126	25,082	24,340
Telephone and communications	-	5,854	5,854	2,698	1,116	3,814	9,668	10,539
Payroll processing fees	-	978	978	480	387	867	1,845	1,684
Transaction processing services	-	5,545	5,545	-	-	-	5,545	4,725
Professional fees (Note 2I)	14,754	2,500	17,254	40,988	6,358	47,346	64,600	92,339
Office expenses	-	1,080	1,080	10,948	2,383	13,331	14,411	15,133
Insurance	-	-	-	9,424	-	9,424	9,424	10,103
Printing and fundraising fees	-	19,786	19,786	-	6,742	6,742	26,528	48,257
Depreciation (Notes 2H and 7)	-	3,600	3,600	900	-	900	4,500	9,800
Other	-	237	237	10,842	-	10,842	11,079	7,811
TOTAL EXPENSES	\$ 992,907	\$ 284,755	\$ 1,277,662	\$ 206,167	\$ 114,314	\$ 320,481	\$ 1,598,143	\$ 968,668

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

	Program Services			Supporting Services			Total 2018
	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
Payroll taxes and employee benefits (Note 11)	-	8,075	8,075	10,090	3,953	14,043	22,118
Total Salaries and Related Costs	-	65,276	65,276	81,559	31,952	113,511	178,787
Grants (Note 2K)	544,268	-	544,268	-	-	-	544,268
Travel, meal and accommodations	3,784	4,846	8,630	10,087	2,165	12,252	20,882
Occupancy (Note 9)	-	8,773	8,773	11,273	4,294	15,567	24,340
Telephone and communications	-	5,694	5,694	3,759	1,086	4,845	10,539
Payroll processing fees	-	615	615	768	301	1,069	1,684
Transaction processing services	-	4,725	4,725	-	-	-	4,725
Professional fees (Note 2I)	-	12,004	12,004	70,177	10,158	80,335	92,339
Office expenses	-	1,074	1,074	10,822	3,237	14,059	15,133
Insurance	-	-	-	10,103	-	10,103	10,103
Printing and fundraising fees	-	24,357	24,357	-	23,900	23,900	48,257
Depreciation (Notes 2H and 7)	-	7,840	7,840	1,960	-	1,960	9,800
Other	-	371	371	7,440	-	7,440	7,811
TOTAL EXPENSES	\$ 548,052	\$ 135,575	\$ 683,627	\$ 207,948	\$ 77,093	\$ 285,041	\$ 968,668

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

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributors	\$ 2,367,862	\$ 865,252
Investment return	79,040	91,611
Grants paid	(982,601)	(544,268)
Cash received from other revenue	403	6,152
Payments for other expenses	(596,765)	(467,100)
Net Cash Provided by (Used in) Operating Activities	867,939	(48,353)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,454,012	261,303
Purchases of investments	(2,269,388)	(91,493)
Net Cash Used in (Provided by) Investing Activities	(815,376)	169,810
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,563	121,457
Cash and cash equivalents - beginning of year	348,204	226,747
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 400,767	\$ 348,204
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 1,920,987	\$ (180,925)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	4,500	9,800
Realized and unrealized loss (gain) on investments	(1,146,010)	147,512
Subtotal	779,477	(23,613)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	74,185	(7,731)
Beneficial interest in trust	(353)	1,006
Prepaid expenses and other	596	606
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	14,034	(18,621)
Net Cash Provided by (Used) by Operating Activities	\$ 867,939	\$ (48,353)

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

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 statements 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 on 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, 2019 and 2018.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, the Foundation’s interest in this trust amounted to \$7,068 and \$6,715, 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 reports 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 statements 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, 2019 and 2018, amounted to \$0 and \$6,714, respectively, and are included in contributions which are offset by like amounts included in the statements of 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 service 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 Pronouncements** – FASB ASU 2014-09, “*Revenue from Contracts with Customers*” (Topic 606) was also adopted by the Foundation for the year ended December 31, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.

FASB ASU 2018-08, “*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*” (Topic 958) was also adopted by the Foundation for the year ended December 31, 2019. The core guidance is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional as further described in Note 2I.

These changes had no impact on the Foundation for the year ended December 31, 2019.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 services undertaken to support those activities to be general expenditures. The Foundation 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 reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation'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 Foundation 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, 2019, the level of liquidity and reserves was managed in accordance with the policy requirements.

As of December 31, 2019, financial assets were as follows:

Cash and cash equivalents	\$	400,767
Investments		8,460,205
Pledges receivable		<u>45,800</u>
Total financial assets		8,906,772
Donor-imposed restrictions:		
Funds subject to time and purpose restrictions		(2,324,757)
Cash held for disbursement to Bayer		(130,359)
Endowments		<u>(2,017,128)</u>
Net financial assets after donor-imposed restrictions		4,434,528
Internal Designations:		
Board-designated funds		<u>(4,052,636)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>381,892</u>

NOTE 4—INVESTMENTS

Investments consist of financial assets carried at fair value as of December 31 as follows:

	<u>2019</u>	<u>2018</u>
Equities	\$ 4,933,455	\$ 4,011,025
Money Market Funds	1,295,605	419,913
Fixed Income	2,231,145	2,037,509
Mutual Funds	<u>-</u>	<u>30,372</u>
	<u>\$ 8,460,205</u>	<u>\$ 6,498,819</u>

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

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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.

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 the 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 instrument 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, 2019, 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	\$ 4,933,455	\$ -	\$ 4,933,455
Money Market Funds	1,295,605	-	1,295,605
Fixed Income	<u>1,419,926</u>	<u>811,219</u>	<u>2,231,145</u>
TOTAL ASSETS AT FAIR VALUE	<u>\$ 7,648,986</u>	<u>\$ 811,219</u>	<u>\$ 8,460,205</u>

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>

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 level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2019 and 2018, there were no such transfers.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6—PLEDGES RECEIVABLE

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

	2019	2018
Amount due in less than one year	\$ 45,800	\$ 119,985
	\$ 45,800	\$ 119,985

NOTE 7—PROPERTY AND EQUIPMENT

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

	2019	2018	<u>Estimated Useful Life</u>
Furniture, fixtures, and equipment, total cost	\$ 53,002	\$ 54,955	5 years
Less: accumulated depreciation	(53,002)	(50,455)	
	\$ -	\$ 4,500	

Depreciation expense amounted to \$4,500 and \$9,800 for the years ended December 31, 2019 and 2018, respectively. The Foundation wrote off fully depreciated assets no longer in use amounting to \$43,589 during the year ended December 31, 2018. No such write offs occurred during the year ended December 31, 2019.

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, 2019 and 2018, there was approximately \$150,800 and \$98,000, 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 for the year ended 2020 amounted to \$24,000.

Rent expense amounted to \$24,444 and \$24,028 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 \$130,000 held for CMC under an agency agreement as of December 31, 2019 and 2018, respectively. Such amounts are recorded as cash and cash equivalents and accounts payable and accrued expenses in the accompanying statements of financial position.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31:

	2019	2018
Health programs	\$ 240,982	\$ 230,533
Education programs	124,821	116,595
Assisted living residence	264,014	361,014
Capital/other programs	95,399	75,174
Time restricted	7,069	6,715
Unappropriated endowment earnings	1,592,472	1,251,304
Endowment Net Assets	2,017,128	2,017,128
	\$ 4,341,885	\$ 4,058,463

Net assets released from restrictions amounted to \$723,601 and \$416,580 during the years ended December 31, 2019 and 2018, respectively. In addition, \$39,000 and \$77,688 of accumulated endowment earnings were appropriated for operations during the years ended December 31, 2019 and 2018, 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 without donor restrictions. The Foundation has not incurred such deficiencies in its endowment funds as of December 31, 2019 and 2018.

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.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10—NET ASSETS WITH DONOR RESTRICTIONS (continued)

ENDOWMENT NET ASSETS (continued)

Changes in endowment net assets for the year ended December 31, 2019, 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	\$ 2,441,483	\$ 1,251,304	\$ 2,017,128	\$ 5,709,915
Investment activity	844,847	380,203	-	1,225,050
Contributions	1,070,000	-	-	1,070,000
Appropriated for spending	<u>(303,694)</u>	<u>(39,000)</u>	<u>-</u>	<u>(342,694)</u>
Endowment assets, end of year	<u>\$ 4,052,636</u>	<u>\$ 1,592,507</u>	<u>\$ 2,017,128</u>	<u>\$ 7,662,271</u>

As of December 31, 2019, 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, 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	<u>(241,639)</u>	<u>(77,688)</u>	<u>-</u>	<u>(319,327)</u>
Endowment assets, end of year	<u>\$ 2,441,483</u>	<u>\$ 1,251,304</u>	<u>\$ 2,017,128</u>	<u>\$ 5,709,915</u>

As of December 31, 2018, 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. There was no pension expense for the years ended December 31, 2019 and 2018.

THE VELLORE CHRISTIAN MEDICAL COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 12—SUBSEQUENT EVENTS

The Foundation has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 18, 2020, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The Foundation could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Foundation cannot predict the extent to which our financial condition and results of operations will be affected.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the Foundation’s employees. On May 1, 2020, the Foundation received a loan of \$58,500 under this program.