

THE HEALTHCARE CHAPLAINCY, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS

Year Ended June 30, 2011

Contents

<i>Year Ended June 30, 2011</i>	<i>Pages</i>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 12

Independent Auditors' Report

Board of Trustees
The HealthCare Chaplaincy, Inc.
New York, New York

We have audited the statement of financial position of The HealthCare Chaplaincy, Inc. as of June 30, 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of The HealthCare Chaplaincy, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The HealthCare Chaplaincy, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Holtz Rubenstein Reminick LLP

Melville, New York
August 30, 2011

Statement of Financial Position

June 30, 2011

Assets

Cash and Cash Equivalents	\$ 666,326
Investments	16,392,912
Accounts Receivable	384,429
Pledges and Grants Receivable, net	601,942
Due from Affiliate	2,508,018
Prepaid Expenses and Other Current Assets	107,394
Beneficial Interest in Charitable Remainder Trusts	1,264,981
Land, Building and Equipment, net	4,562,599
Total Assets	<u>\$ 26,488,601</u>

Liabilities and Net Assets

Accounts Payable and Accrued Expenses	<u>\$ 288,434</u>
---------------------------------------	-------------------

Commitments and Contingencies

Net Assets:

Unrestricted	18,710,663
Temporarily restricted	3,302,609
Permanently restricted	4,186,895
Total Net Assets	<u>26,200,167</u>
Total Liabilities and Net Assets	<u>\$ 26,488,601</u>

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenue:				
Contributions:				
Foundations and trusts	\$ 125,000	\$ 479,084	\$ -	\$ 604,084
Corporations	1,386	-	-	1,386
Religious organizations	9,900	3,750	-	13,650
Individuals/estates	1,432,382	-	-	1,432,382
Special event revenue	683,260	-	-	683,260
Less direct expenses of special event (including contributed services of \$7,000)	(138,407)	-	-	(138,407)
Service revenue	2,324,333	-	-	2,324,333
Educational fees	505,183	-	-	505,183
Investment income allocated for operations	2,388,657	201,113	-	2,589,770
Change in value of charitable remainder trusts	-	279,484	-	279,484
Contributed services	91,000	-	-	91,000
Subscription revenue	44,714	-	-	44,714
Webinar revenue	5,215	-	-	5,215
Miscellaneous income	1,712	-	-	1,712
Net assets released from restrictions	1,833,117	(1,833,117)	-	-
Total Support and Revenue	9,307,452	(869,686)	-	8,437,766
Expenses:				
Program services:				
Clinical services	2,361,269	-	-	2,361,269
Education	1,952,514	-	-	1,952,514
Research	570,809	-	-	570,809
Community education	553,000	-	-	553,000
Total Program Services	5,437,592	-	-	5,437,592
Supporting services:				
General and administrative	994,695	-	-	994,695
Advancement	589,543	-	-	589,543
Total Supporting Services	1,584,238	-	-	1,584,238
Total Expenses	7,021,830	-	-	7,021,830
Increase (Decrease) in Net Assets from Operations	2,285,622	(869,686)	-	1,415,936
Investment Results, net of allocation to operations	668,829	541,892	-	1,210,721
Changes in Net Assets	2,954,451	(327,794)	-	2,626,657
Net Assets, beginning of year	15,756,212	3,630,403	4,186,895	23,573,510
Net Assets, end of year	\$18,710,663	\$ 3,302,609	\$ 4,186,895	\$ 26,200,167

Statement of Functional Expenses

Year Ended June 30, 2011

	Program Services				Supporting Services			Total Expenses	
	Clinical Services	Education	Research	Community Education	Total Program Services	General and Administrative	Supporting Services		
									Total
Salary	\$ 1,827,973	\$ 1,019,556	\$ 332,898	\$ 309,034	\$ 3,489,461	\$ 451,294	\$ 370,911	\$ 822,205	\$ 4,311,666
Penal Expense	46,516	23,791	7,964	7,581	85,852	9,068	9,220	18,288	104,140
Medical Insurance	236,317	120,866	40,459	38,515	436,157	46,068	46,841	92,909	529,066
Payroll Taxes	138,723	70,951	23,750	22,609	256,033	27,043	27,497	54,540	310,573
Disability/Workmen's Comp.	11,690	5,979	2,001	1,905	21,575	2,279	2,317	4,596	26,171
Other Staff Benefits	3,730	50,020	7,460	7,460	68,670	29,375	27	29,402	98,072
Recruiting and Moving Expenses	19,910	378	23	23	20,334	90	9,252	9,342	29,676
Travel	11,859	5,373	971	1,106	19,309	3,821	-	3,821	23,130
Professional Education	5,413	5,368	3,547	482	14,810	1,899	27	1,926	16,736
Dues	5,130	610	481	300	6,521	-	-	-	6,521
Other Staff Support and Development	2,908	8,917	47,321	25,912	85,058	7,196	20,150	27,346	112,404
Library and Subscriptions	905	7,310	5,500	619	14,334	739	648	1,387	15,721
Stipends	-	161,869	-	-	161,869	-	-	-	161,869
Other Program Materials and Support	2,898	36,793	378	93	40,162	53	1,992	2,045	42,207
Newsletter Community Outreach	-	12,132	-	14,326	26,458	-	-	-	26,458
Other Printed Materials	-	-	180	1,206	1,386	-	-	-	1,386
Telephone	1,383	13,235	2,766	2,850	20,234	10,891	51	10,942	31,176
Public/Board Meetings Patient Family	488	6,009	976	2,264	9,737	3,843	-	3,843	13,580
Mailing Costs	237	2,196	473	552	3,458	1,864	2,253	4,117	7,575
Other Communication Expenses	-	-	-	550	550	-	421	421	971
Other Professional Fees	1,946	17,506	3,890	28,059	51,401	15,318	-	15,318	66,719
Office Supplies	2,027	18,243	4,054	4,562	28,886	15,963	-	15,963	44,849
Information Systems	2,147	19,326	8,941	4,792	35,206	16,910	5,006	21,916	57,122
Rent	14,352	129,169	28,704	28,704	200,929	134,551	38,272	172,823	373,752
Insurance	1,432	12,888	2,864	2,864	20,048	13,425	3,819	17,244	37,292
Depreciation Furniture Fixtures and Equipment	1,983	17,850	3,967	3,967	27,767	18,593	5,289	23,882	51,649
Depreciation and Amortization Building and Leasehold Improvements	11,255	101,298	22,511	22,511	157,575	105,518	30,014	135,532	293,107
Minor Equipment	823	1,853	280	609	3,565	1,101	-	1,101	4,666
Building Maintenance and Repairs	1,952	17,566	3,903	4,782	28,203	15,370	100	15,470	43,673
Utilities	3,430	30,867	6,859	6,859	48,015	32,153	9,146	41,299	89,314
Bad Debt Expense	354	3,189	709	709	4,961	2,790	-	2,790	7,751
Contributed Services	3,473	31,269	6,949	6,949	48,640	27,360	-	27,360	76,000
Other Office Expenses	15	137	30	246	428	120	60	180	608
Total Expenses	\$ 2,361,269	\$ 1,952,514	\$ 570,809	\$ 553,000	\$ 5,437,592	\$ 994,695	\$ 589,543	\$ 1,584,238	\$ 7,021,830

See notes to financial statements.

Statement of Cash Flows

Year Ended June 30, 2011

Cash Flows from Operating Activities:	
Increase in net assets	\$ 2,626,657
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	344,756
Change in value of charitable remainder trusts	(279,484)
Realized and unrealized gain on investments	(3,542,266)
Donated stock	(99,786)
Decrease in allowance for doubtful pledges and grants receivable	(51,098)
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	105,322
Pledges and grants receivable	(68,260)
Prepaid expenses and other current assets	(5,930)
Decrease in liabilities:	
Accounts payable and accrued expenses	(23,617)
Total adjustments	<u>(3,620,363)</u>
Net Cash Used in Operating Activities	<u>(993,706)</u>
Cash Flows from Investing Activities:	
Purchase of land, building and equipment	(526,034)
Purchase of investments	(21,159,563)
Proceeds from sale of investments	24,282,341
Due from affiliate	(1,203,831)
Net Cash Provided by Investing Activities	<u>1,392,913</u>
Net Increase in Cash and Cash Equivalents	399,207
Cash and Cash Equivalents, beginning of year	267,119
Cash and Cash Equivalents, end of year	<u>\$ 666,326</u>
Noncash Transactions:	
Decrease in due from affiliate	\$ 86,741
Increase in land, building and equipment	<u>\$ 86,741</u>

Notes to Financial Statements

Year Ended June 30, 2011

1. Description of Organization and Summary of Significant Accounting Policies

Nature of operations - The HealthCare Chaplaincy, Inc. (the "Chaplaincy") is a center for health-related spiritual care, education and research in the field of professional Chaplaincy care. Its certified chaplains and student chaplains collaborate on a multi-faith and multi-cultural basis as integral members of healthcare teams in a variety of clinical and community settings. In active partnership with health-promoting institutions, it provides leadership in making spiritual support a quality component of care in a changing healthcare milieu.

The Chaplaincy is affiliated with another 501(c)(3) entity, the Wholeness of Life Center, Inc. ("WOLC"). The Chaplaincy and WOLC are in the initial stages of design and development of a facility to serve as an assisted living end-of-life care residence, medical offices and office space to house the Chaplaincy's offices. The facility will be owned as condominium spaces by both the Chaplaincy and WOLC. The accompanying financial statements do not include the accounts of WOLC as both control and economic interest between the entities does not exist. Amounts due from WOLC are recorded as due from affiliate in the accompanying statement of financial position.

Basis of presentation - The financial statements of the Chaplaincy have been prepared on the accrual basis of accounting.

The net assets of the Chaplaincy are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of the Chaplaincy.

Temporarily restricted - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Chaplaincy and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted - Net assets that are subject to donor-imposed stipulations that neither expire by the passage of time, nor can be fulfilled or removed by actions of the Chaplaincy. Generally, the donors of these funds permit the Chaplaincy to use all or part of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes. Permanently restricted net assets represent endowment funds.

Donor-imposed restrictions - The Chaplaincy 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. Contributions which are donor restricted for the purpose of establishing endowment funds are recorded as additions to permanently restricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets, as net assets released from restrictions.

The Chaplaincy reports gifts of land, buildings and equipment at their fair values at the date of the gift and as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Chaplaincy reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services - Not-for-profit entities are required to record contributed services revenue if those services create or enhance nonfinancial assets or are provided by individuals who possess specialized skills that would typically need to be purchased, if not provided by donation. For the year ended June 30, 2011, the Chaplaincy received contributed services of \$91,000.

Notes to Financial Statements

Year Ended June 30, 2011

Cash and cash equivalents - The Chaplaincy considers all highly liquid investments with an original maturity of 90 days or less on the date of purchase to be cash equivalents. Cash equivalents are carried at fair market value which approximates cost.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair market value. Investments subject to the provisions of Accounting Standards Update 2009-12, "*Investments in Certain Entities That Calculate Net Asset Value per Share*", with no readily determinable fair values are recorded at net asset value per share as a practical expedient to estimating fair value.

Gains and losses on investments and related investment income have been reflected in the statement of activities and changes in net assets within investment income as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

Fair value - Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. The Chaplaincy must determine whether its assets and liabilities recorded at fair value were based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs), or Level 3 (valued based on significant unobservable inputs) measurements within the fair value hierarchy.

Pledges and grants receivable - Unconditional promises to give are recorded at net realizable value. All unconditional promises, whether unrestricted or restricted (either permanently or temporarily restricted), are recognized and accrued as contribution revenue in the period the unconditional promise was received.

Pledges and grants to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Allowance for doubtful accounts - Periodically, the receivable balances are reviewed and evaluated as to their collectability which is based upon management's judgment, including such factors as prior collection history and type of receivable. An allowance is then established based on these evaluations. A receivable balance is considered past due once it has not been received by its scheduled due date.

Land, building and equipment, and depreciation - Land, building and equipment are stated at cost except for donated assets, which are recorded at fair value at the time of donation. The Chaplaincy's capitalization policy is to capitalize all fixed asset purchases in excess of \$2,500. Depreciation is provided using the straight-line method calculated over the estimated lives of the related assets and is calculated commencing with the month the asset is placed in service. The useful lives of the Chaplaincy's land, building and equipment are as follows:

Buildings	40 years
Building Improvements	12 to 20 years
Equipment	5 to 10 years

Art is stated at cost and is being held as a collection; therefore, it is not being depreciated.

Income taxes - The Chaplaincy qualifies as a tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a non-profit corporation under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

Notes to Financial Statements

Year Ended June 30, 2011

Uncertain tax positions - Management evaluated the Chaplaincy's tax positions and concluded that the Chaplaincy had taken no uncertain tax provisions that require adjustment to the financial statements to comply with the provisions of FASB Accounting Standards Codification No. 740. Generally, the Chaplaincy is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2007, which is the standard statute of limitations look-back period.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses - The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Evaluation of subsequent events - Management has evaluated subsequent events through August 30, 2011, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

2. Pledges and Grants Receivable

Pledges and grants receivable are comprised of unconditional promises to give and consist of the following:

June 30, 2011

Unconditional Promises to Give before Discount	\$	624,807
Less Discount on Pledges and Grants Receivable		(3,685)
Less Allowance for Doubtful Pledges and Grants Receivable		(19,180)
Net Unconditional Promises to Give	<u>\$</u>	<u>601,942</u>
Amounts Due in:		
Less than one year	\$	505,627
One to two years		96,315
	<u>\$</u>	<u>601,942</u>

The discount rate used to calculate the net present value of the pledges and grants at June 30, 2011 was 2.54%.

3. Investments

Investment composition and classification of investments within the fair value hierarchy, was as follows:

<i>June 30, 2011</i>	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 11,870,343	\$ -	\$ -	\$ 11,870,343
Hedge Funds	-	897,251	3,625,318	4,522,569
Total Investments	<u>\$ 11,870,343</u>	<u>\$ 897,251</u>	<u>\$ 3,625,318</u>	<u>\$ 16,392,912</u>

Notes to Financial Statements

Year Ended June 30, 2011

Investment income consists of the following:

<i>Year Ended June 30, 2011</i>	Unrestricted	Temporarily Restricted	Total
Interest and Dividend Income	\$ 347,786	\$ 86,138	\$ 433,924
Investment Income (net of fees of \$175,699, including contributed services of \$8,000)	2,709,700	656,867	3,366,567
Net Return on Investments	3,057,486	743,005	3,800,491
Investment Return Allocated for Operations:			
Spending at 4.9% of past 20 quarters' market value	829,752	201,113	1,030,865
Additional board authorized amounts	726,246	-	726,246
National Center for Palliative Care Innovation and HealthCare Chaplaincy Construction in Progress	832,659	-	832,659
	2,388,657	201,113	2,589,770
Investment Return in Excess of Amounts Allocated for Operations	\$ 668,829	\$ 541,892	\$ 1,210,721

The Chaplaincy's board of trustees mandated a review of its investment policy in fiscal year 2010. After completing this review, a net asset allocation policy was proposed and subsequently approved by the board at its meeting on December 7, 2010. Beginning in January 2011, the Chaplaincy implemented this asset diversification policy resulting in funds being invested in approximately 12 investment vehicles (domestic and international equities, flexible capital, multi-strategy fixed income, inflation-hedging and emerging market assets) which are supervised by ten different managers.

The reconciliation of Level 3 assets was as follows:

Year Ended June 30, 2011

Beginning Balance	\$ -
Purchases	3,650,000
Net Change in Unrealized Depreciation from Assets Still Held at the Reporting Date	(24,682)
Ending Balance	\$ 3,625,318

The Chaplaincy invests in three hedge funds (the "Funds") that have no readily determinable fair values. The Funds are recorded at net asset value, which represent fair value, and are based on the values provided by the general partner and/or board of directors of those Funds. The Funds' investment strategies are to invest principally in portfolios of long/short equities, limited partnerships, distressed debt, and fixed income securities. The Funds use index options and other hedging devices to manage risk and when appropriate, will use leverage in making investments. At June 30, 2011, the Funds did not have any unfunded commitments. Two of the hedge funds with a net asset value of \$3,625,318 as of June 30, 2011 had a redemption restriction, where redemption can only occur after an initial two year lock-up, with one of the funds providing for redemption on a semi-annual basis and the other allowing an annual redemption; both of the funds require written notice of at least 95 days. The third fund has restrictions allowing for redemptions on the first day of each calendar month with advance written notice of at least ten days.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with investments, it is at least reasonably possible that changes in market conditions in the near term would materially affect the amounts reported in the accompanying financial statements.

Notes to Financial Statements

Year Ended June 30, 2011

4. Beneficial Interest in Charitable Remainder Trusts

The Chaplaincy has been named as the beneficiary in several irrevocable charitable remainder trusts which have been recorded at estimated net present value in the accompanying statement of financial position.

5. Land, Building and Equipment, Net

Land, building and equipment, net, consists of the following:

June 30, 2011

Land	\$ 405,000
Artwork	375,865
Building	1,072,755
Building Improvements	5,403,383
Furniture, Fixtures and Equipment	1,793,776
Construction in Progress	685,080
	<u>9,735,859</u>
Less Accumulated Depreciation	5,173,260
	<u>\$ 4,562,599</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

June 30, 2011

Purpose Restrictions:	
Scholarships and Fellowships	\$ 541,228
Education	512,988
Research and Library	129,806
Pastoral Care	387,043
Palliative Care Center	30,489
Oral History	42,807
	<u>1,644,361</u>
Purpose and Time Restrictions:	
Research and Library	70,479
Education	135,261
	<u>205,740</u>
Time Restrictions	1,452,508
	<u>\$ 3,302,609</u>

During fiscal 2011, net assets were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors or release of time restrictions, as follows:

June 30, 2011

Purpose Restrictions	\$ 1,783,117
Time Restrictions	50,000
	<u>\$ 1,833,117</u>

Notes to Financial Statements

Year Ended June 30, 2011

7. Donor Restricted Endowment and Permanently Restricted Net Assets

The Chaplaincy has donor restricted endowment funds, the corpus which is permanently restricted. The following applies to the donor restricted endowment and permanently restricted net assets:

Interpretation of relevant law - The spending of endowment funds by a not-for-profit corporation in the State of New York was governed by the Uniform Management of Institutional Funds Act ("UMIFA"), as enacted in 1978, until September 17, 2010, when the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Chaplaincy has interpreted NYPMIFA as allowing the Chaplaincy to appropriate for expenditure or accumulate earnings as the Chaplaincy 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. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor restricted assets until appropriated for expenditure by the Chaplaincy. Net assets associated with permanent endowments are classified as permanently restricted at historical value.

Investment and spending policies - The Chaplaincy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Chaplaincy must hold in perpetuity.

In accordance with NYPMIFA, the Chaplaincy considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the endowment funds.
- The purposes of the Chaplaincy and the donor restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation/depreciation of investments.
- Other resources of the Chaplaincy.
- Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment funds, giving due consideration to the effect that such alternatives may have on the Chaplaincy.
- The investment policy of the Chaplaincy.

The composition of endowment assets at June 30, 2011 and change in composition of endowments for the year ended June 30, 2011 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor Restricted Endowment Assets, beginning of year	\$ -	\$ 484,608	\$ 4,186,895
Investment Return:			
Investment income	48,261	86,138	-
Net appreciation	386,356	689,584	-
Investment Fees	(18,330)	(32,717)	-
Transfers	(126,062)	126,062	-
Appropriated	(290,225)	(201,113)	-
Donor Restricted Endowment Assets, end of year	\$ -	\$ 1,152,562	\$ 4,186,895

Notes to Financial Statements

Year Ended June 30, 2011

To the extent that the market value of donor restricted endowment assets have decreased below the value of the corpus, the Chaplaincy has made a temporary transfer to restore the donor endowment asset value to the corpus.

8. Commitments and Contingencies

In connection with the development of the WOLC and HealthCare Chaplaincy Offices, the Chaplaincy entered into an at-will agreement during 2010 for architectural services of \$2,825,000. The agreement provides for services to occur in five phases, as stipulated in the agreement, with the Chaplaincy to provide authorization before each phase commences. Total expenditures for architectural services under Phases 1 and 2 amount to approximately \$736,000. As of June 30, 2011, the Chaplaincy had completed the second phase. No authorization has been given for the third phase.

In May 2010, the Chaplaincy entered into a purchase and sale agreement for the purchase of a land located in New York City, for a purchase price estimated at a minimum of \$13,000,000 based on preliminary design plans. The closing is expected to occur during fiscal 2012. The Chaplaincy has the option not to close on the purchase and sale agreement if financing for the entire project is not secured or if certain other conditions are not met.

Operating lease - The Chaplaincy leases certain space on 62nd Street in New York City under an operating lease agreement which expired on January 20, 2011 and was renewed through January 20, 2012. A notice to elect to renew through January 20, 2013 pursuant to the terms of the lease was given to the landlord in July 2011. Rental expense approximated \$391,000 for the year ended June 30, 2011.

Approximate future minimum lease payments committed as of June 30, 2011 under the operating lease for the year ended June 30, 2012 is \$170,000.

Litigation - The Chaplaincy is subject to lawsuits and claims with respect to matters arising in the normal course of business. The Chaplaincy defends its position on all actions. In the opinion of management, the ultimate liabilities, if any, from these lawsuits or claims, will not materially affect the financial position or results of operations of the Chaplaincy. Nevertheless, due to the uncertainty of the settlement process, management's view of the outcome may be modified in the future.

9. Retirement Plan

The Chaplaincy has adopted a contributory, defined contribution retirement plan. The Chaplaincy has the discretion to contribute 4% of salary for eligible employees, and match employee contributions up to an additional 2% of salary. The Chaplaincy made discretionary contributions of 3% of salary for eligible employees during the year ended June 30, 2011 which amounted to approximately \$104,000. There was no match of employee contributions during the year ended June 30, 2011.

10. Concentration of Credit Risk

Financial instruments which potentially subject the Chaplaincy to concentrations of credit risk consist principally of investments and amounts due from affiliate. From time to time, the cash balances exceed the Federal Depository Insurance Coverage limit. The Chaplaincy places its temporary cash investments with various financial institutions.