

**HEALTHCARE CHAPLAINCY  
NETWORK, INC.**

New York, New York

**CONSOLIDATED FINANCIAL STATEMENTS**

Including Independent Auditors' Report

For the Years Ended June 30, 2015 and 2014

# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Contents

*Years Ended June 30, 2015 and 2014*

*Pages*

### **Financial Statements**

Independent Auditors' Report	1
Consolidated Statements of Financial Position	2
Consolidated Statement of Activities and Changes in Net Assets - June 30, 2015	3
Consolidated Statement of Activities and Changes in Net Assets - June 30, 2014	4
Consolidated Statement of Functional Expenses - June 30, 2015	5
Consolidated Statement of Functional Expenses - June 30, 2014	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 16

## Consolidated Financial Statements

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
HealthCare Chaplaincy Network, Inc.  
New York, New York

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of HealthCare Chaplaincy Network, Inc. (the "Organization") which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the HealthCare Chaplaincy Network, Inc. as of June 30, 2015 and 2014, 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.

*Baker Tilly Virchow Krause, LLP*

Melville, New York  
January 26, 2016

# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Consolidated Statements of Financial Position

<u>June 30,</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 753,492	\$ 1,651,156
Investments	14,000,208	15,944,380
Accounts Receivable	415,842	422,950
Pledges and Grants Receivable, net	10,000	364,999
Prepaid Expenses and Other Current Assets	306,673	219,810
Beneficial Interest in Charitable Remainder Trusts	156,891	169,789
Equipment, net	493,208	521,022
Total Assets	<u>\$ 16,136,314</u>	<u>\$ 19,294,106</u>
<b>Liabilities and Net Assets</b>		
Accounts Payable and Accrued Expenses	\$ 407,982	\$ 666,793
Deferred Revenue	13,400	40,135
Total Liabilities	<u>421,382</u>	<u>706,928</u>
Commitments and Contingencies		
Net Assets:		
Unrestricted	9,779,362	12,323,380
Board designated	335,544	350,924
Total unrestricted	<u>10,114,906</u>	<u>12,674,304</u>
Temporarily Restricted	1,313,390	1,626,238
Permanently Restricted	4,286,636	4,286,636
Total Net Assets	<u>15,714,932</u>	<u>18,587,178</u>
Total Liabilities and Net Assets	<u>\$ 16,136,314</u>	<u>\$ 19,294,106</u>

# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015 (with comparative totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
<b>Operating Support and Revenue:</b>					
Contributions:					
Foundations and trusts	\$ 327,025	\$ -	\$ -	\$ 327,025	\$ 1,271,843
Corporations	58,500	-	-	58,500	1,100
Religious organizations	6,500	-	-	6,500	3,300
Individuals/estates	179,088	-	-	179,088	473,707
Special event revenue	984,579	-	-	984,579	672,123
Less direct expenses of special event	(225,324)	-	-	(225,324)	(123,334)
Service revenue	1,824,389	-	-	1,824,389	1,872,848
Educational fees	247,251	-	-	247,251	439,790
Change in value of charitable remainder trusts	-	(12,898)	-	(12,898)	24,181
Contributed goods and services	30,003	-	-	30,003	157,033
Other income	317,006	-	-	317,006	113,967
Net assets released from restrictions	314,274	(314,274)	-	-	-
<b>Total Support and Revenue</b>	<b>4,063,291</b>	<b>(327,172)</b>	<b>-</b>	<b>3,736,119</b>	<b>4,906,558</b>
<b>Expenses:</b>					
Program services:					
Clinical services	2,983,423	-	-	2,983,423	2,702,324
Education	871,121	-	-	871,121	1,433,929
Research	491,218	-	-	491,218	1,249,095
Community education	948,017	-	-	948,017	426,975
<b>Total program services</b>	<b>5,293,779</b>	<b>-</b>	<b>-</b>	<b>5,293,779</b>	<b>5,812,323</b>
Supporting services:					
General and administrative	676,593	-	-	676,593	938,868
Advancement	693,821	-	-	693,821	814,404
<b>Total supporting services</b>	<b>1,370,414</b>	<b>-</b>	<b>-</b>	<b>1,370,414</b>	<b>1,753,272</b>
<b>Total Expenses</b>	<b>6,664,193</b>	<b>-</b>	<b>-</b>	<b>6,664,193</b>	<b>7,565,595</b>
<b>Decrease in Net Assets</b>					
from Operations	(2,600,902)	(327,172)	-	(2,928,074)	(2,659,037)
Investment Income	41,504	14,324	-	55,828	1,258,179
<b>Changes in Net Assets, before pre-development costs and gain on sale of building</b>					
on sale of building	(2,559,398)	(312,848)	-	(2,872,246)	(1,400,858)
Pre-Development Costs (Note 5)	-	-	-	-	(731,930)
Gain on Sale of Building (Note 5)	-	-	-	-	4,759,364
<b>Total Changes in Net Assets</b>	<b>(2,559,398)</b>	<b>(312,848)</b>	<b>-</b>	<b>(2,872,246)</b>	<b>2,626,576</b>
Net Assets, beginning of year	12,674,304	1,626,238	4,286,636	18,587,178	15,960,602
<b>Net Assets, end of year</b>	<b>\$ 10,114,906</b>	<b>\$ 1,313,390</b>	<b>\$ 4,286,636</b>	<b>\$ 15,714,932</b>	<b>\$ 18,587,178</b>

# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Support and Revenue:				
Contributions:				
Foundations and trusts	\$ 1,210,543	\$ 61,300	\$ -	\$ 1,271,843
Corporations	1,100	-	-	1,100
Religious organizations	500	2,800	-	3,300
Individuals/estates	337,918	110,485	25,304	473,707
Special event revenue	672,123	-	-	672,123
Less direct expenses of special event	(123,334)	-	-	(123,334)
Service revenue	1,872,848	-	-	1,872,848
Educational fees	439,790	-	-	439,790
Change in value of charitable remainder trusts	-	24,181	-	24,181
Contributed goods and services	157,033	-	-	157,033
Other income	113,967	-	-	113,967
Net assets released from restrictions	370,437	(370,437)	-	-
<b>Total Support and Revenue</b>	<b>5,052,925</b>	<b>(171,671)</b>	<b>25,304</b>	<b>4,906,558</b>
Expenses:				
Program services:				
Clinical services	2,702,324	-	-	2,702,324
Education	1,433,929	-	-	1,433,929
Research	1,249,095	-	-	1,249,095
Community education	426,975	-	-	426,975
<b>Total program services</b>	<b>5,812,323</b>	<b>-</b>	<b>-</b>	<b>5,812,323</b>
Supporting services:				
General and administrative	938,868	-	-	938,868
Advancement	814,404	-	-	814,404
<b>Total supporting services</b>	<b>1,753,272</b>	<b>-</b>	<b>-</b>	<b>1,753,272</b>
<b>Total Expenses</b>	<b>7,565,595</b>	<b>-</b>	<b>-</b>	<b>7,565,595</b>
(Decrease) Increase in Net Assets				
from Operations	(2,512,670)	(171,671)	25,304	(2,659,037)
Investment Income	1,025,463	232,716	-	1,258,179
Changes in Net Assets, before pre-development				
costs and gain on sale of building	(1,487,207)	61,045	25,304	(1,400,858)
Pre-Development Costs (Note 5)	(731,930)	-	-	(731,930)
Gain on Sale of Building (Note 5)	4,759,364	-	-	4,759,364
<b>Total Changes in Net Assets</b>	<b>2,540,227</b>	<b>61,045</b>	<b>25,304</b>	<b>2,626,576</b>
Net Assets, beginning of year	10,134,077	1,565,193	4,261,332	15,960,602
<b>Net Assets, end of year</b>	<b>\$ 12,674,304</b>	<b>\$ 1,626,238</b>	<b>\$ 4,286,636</b>	<b>\$ 18,587,178</b>

# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2015 (with comparative totals for the year ended June 30, 2014)

	Program Services					Supporting Services			2014 Total Expenses	
	Clinical Services	Education		Research	Community Education	Total Program Services	General and Administrative			Total Supporting Services
		Education	Research	Community Education	Total Program Services	Administrative	Advancement	Supporting Services		
Salary	\$ 1,983,949	\$ 501,933	\$ 261,734	\$ 242,110	\$ 2,989,727	\$ 196,301	\$ 491,168	\$ 687,468	\$ 3,677,195	\$ 4,024,730
Pension Expense	41,065	4,332	-	6,001	51,398	32,437	7,309	39,745	91,143	100,237
Medical Insurance	146,754	15,480	-	21,446	183,680	115,919	26,119	142,038	325,718	377,249
Payroll Taxes	84,894	8,955	-	12,406	106,255	67,057	15,109	82,166	188,422	202,400
Disability/Workmen's Compensation	1,970	208	-	288	2,466	1,556	351	1,907	4,373	26,483
Other Staff Benefits	7,913	835	-	1,156	9,905	6,251	1,408	7,659	17,564	16,274
Recruiting and Moving Expenses	19,902	1,221	-	1,900	23,023	3,679	1,929	5,609	28,632	60,659
Travel	21,060	28,076	9,980	1,184	60,300	7,485	7,601	15,086	75,386	190,429
Professional Education	14,838	-	-	-	14,838	-	-	-	14,838	30,812
Dues	8,675	310	-	-	8,985	4,015	-	4,015	13,000	15,895
Other Staff Support and Development	16,723	7,615	5,272	1,205	30,814	3,954	5,054	9,008	39,822	64,358
Library and Subscriptions	-	-	31	-	31	3,799	-	3,799	3,830	17,508
Other Program Materials and Support	-	-	-	-	-	-	-	-	-	18,799
Newsletter Community Outreach	-	-	-	-	-	-	-	-	-	360
Other Printed Materials	-	1,050	-	77,154	78,204	6,459	160	6,619	84,823	44,111
Telephone	17,550	1,672	-	2,601	21,823	5,038	2,642	7,680	29,503	30,352
Cultivation	-	-	-	-	-	16,452	13,722	30,174	30,174	62,754
Mailing Costs	5,770	13,143	4,389	45,947	69,250	3,264	4,480	7,744	76,994	15,532
Other Communication Expenses	6,598	130,290	-	127,395	264,282	238	927	1,165	265,448	59,792
Honoraria	-	-	-	-	-	-	-	-	-	140,944
Other Professional Fees	180,255	114,135	209,811	292,494	796,695	23,955	45,942	69,897	866,592	971,066
Office Supplies	9,569	2,028	-	1,470	13,068	2,771	1,453	4,223	17,291	30,230
Information Systems	49,319	4,739	-	58,098	112,156	14,279	12,558	26,837	138,993	154,239
Rent	292,190	28,076	-	43,675	363,941	84,596	44,361	128,957	492,898	461,403
Insurance	39,642	3,809	-	5,925	49,376	11,477	6,018	17,496	66,872	57,630
Depreciation and Amortization	24,073	2,313	-	3,598	29,984	6,970	3,655	10,625	40,609	65,782
Minor Equipment	-	-	-	-	-	-	-	-	-	1,987
Building Maintenance and Repairs	504	48	-	75	628	146	77	223	851	35,031
Utilities	8,594	826	-	1,285	10,704	2,488	1,305	3,793	14,497	29,110
Bad Debt Expense	-	-	-	-	-	14,749	-	14,749	14,749	87,057
Contributed Services	-	-	-	-	-	30,003	-	30,003	30,003	156,897
Other Office Expenses	1,615	27	-	605	2,246	11,256	473	11,729	13,975	15,484
<b>Total Expenses</b>	<b>\$ 2,983,423</b>	<b>\$ 871,121</b>	<b>\$ 491,218</b>	<b>\$ 948,017</b>	<b>\$ 5,293,779</b>	<b>\$ 676,593</b>	<b>\$ 693,821</b>	<b>\$ 1,370,414</b>	<b>\$ 6,664,193</b>	<b>\$ 7,565,595</b>

See notes to consolidated financial statements.



# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

	Program Services				Supporting Services			2014 Total Expenses	
	Clinical Services	Education	Research	Community Education	Total Program Services	General and Administrative	Advancement		Total Supporting Services
Salary	\$ 1,744,570	\$ 1,025,694	\$ 473,572	\$ 63,608	\$ 3,307,444	\$ 193,530	\$ 523,756	\$ 717,286	\$ 4,024,730
Pension Expense	35,416	17,512	5,368	1,584	59,880	32,133	8,224	40,357	100,237
Medical Insurance	133,290	65,908	20,202	5,962	225,362	120,934	30,953	151,887	377,249
Payroll Taxes	71,512	35,360	10,839	3,199	120,910	64,883	16,607	81,490	202,400
Disability/Workmen's Compensation	9,357	4,627	1,418	418	15,820	8,490	2,173	10,663	26,483
Other Staff Benefits	5,750	2,843	872	257	9,722	5,217	1,335	6,552	16,274
Recruiting and Moving Expenses	34,938	4,678	-	2,373	41,989	12,922	5,748	18,670	60,659
Travel	14,454	12,893	146,657	104	174,108	5,594	10,727	16,321	190,429
Professional Education	-	30,812	-	-	30,812	-	-	-	30,812
Dues	8,295	1,800	570	-	10,665	5,230	-	5,230	15,895
Other Staff Support and Development	22,016	21,400	5,335	4,626	53,377	4,001	6,980	10,981	64,358
Library and Subscriptions	31	-	12,824	287	13,142	1,681	2,685	4,366	17,508
Other Program Materials and Support	1,324	6,906	10,569	-	18,799	-	-	-	18,799
Newsletter Community Outreach	-	360	-	-	360	-	-	-	360
Other Printed Materials	-	11,467	14,775	7,770	34,012	7,460	2,638	10,099	44,111
Telephone	17,297	2,136	482	1,430	21,345	6,363	2,644	9,007	30,352
Cultivation	-	-	-	90	90	14,909	47,755	62,664	62,754
Mailing Costs	2,354	3,238	2,325	3,502	11,419	1,171	2,942	4,113	15,532
Other Communication Expenses	-	-	-	51,867	51,867	-	7,925	7,925	59,792
Honoraria	-	-	140,944	-	140,944	-	-	-	140,944
Other Professional Fees	138,393	143,937	338,478	245,996	866,804	47,737	56,525	104,262	971,066
Office Supplies	10,688	1,045	11,195	1,617	24,545	3,975	1,710	5,685	30,230
Information Systems	92,296	4,590	6,547	6,902	110,335	15,733	28,172	43,905	154,239
Rent	247,922	23,504	43,181	16,938	331,545	92,218	37,640	129,858	461,403
Insurance	34,163	3,239	-	2,334	39,736	12,707	5,187	17,894	57,630
Depreciation and Amortization	38,996	3,697	-	2,664	45,357	14,505	5,920	20,425	65,782
Minor Equipment	-	-	1,262	-	1,262	725	-	725	1,987
Building Maintenance and Repairs	20,521	1,947	-	1,402	23,870	7,633	3,528	11,161	35,031
Utilities	17,256	1,636	-	1,179	20,071	6,419	2,620	9,039	29,110
Bad Debt Expense	-	-	-	-	-	87,057	-	87,057	87,057
Contributed Services	-	-	-	-	-	156,897	-	156,897	156,897
Other Office Expenses	1,485	2,700	1,680	866	6,731	8,744	9	8,753	15,484
<b>Total Expenses</b>	<b>\$ 2,702,324</b>	<b>\$ 1,433,929</b>	<b>\$ 1,249,095</b>	<b>\$ 426,975</b>	<b>\$ 5,812,323</b>	<b>\$ 938,868</b>	<b>\$ 814,404</b>	<b>\$ 1,753,272</b>	<b>\$ 7,565,595</b>

See notes to consolidated financial statements.

# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Consolidated Statements of Cash Flows

<i>Years Ended June 30,</i>	<b>2015</b>	<b>2014</b>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	<b>\$ (2,872,246)</b>	<b>\$ 2,626,576</b>
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	<b>40,609</b>	65,782
Change in value of charitable remainder trusts	<b>12,898</b>	(24,181)
Gain on sale of building	-	(4,759,364)
Realized and unrealized loss (gain) on investments	<b>129,044</b>	(1,178,163)
Provision for bad debts	<b>14,749</b>	87,057
Change in discount on pledges receivable	<b>(2,014)</b>	2,014
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	<b>7,108</b>	(60,921)
Pledges and grants receivable	<b>342,264</b>	(393,250)
Prepaid expenses and other current assets	<b>(86,863)</b>	(168,174)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	<b>(258,811)</b>	(625,380)
Deferred revenue	<b>(26,735)</b>	40,135
Total adjustments	<b>172,249</b>	(7,014,445)
<b>Net Cash Used in Operating Activities</b>	<b>(2,699,997)</b>	<b>(4,387,869)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of equipment	<b>(12,795)</b>	(140,519)
Proceeds from sale of building	-	7,889,640
Purchase of investments	<b>(7,047,947)</b>	(21,219,803)
Proceeds from sale of investments	<b>8,863,075</b>	18,214,232
<b>Net Cash Provided by Investing Activities</b>	<b>1,802,333</b>	<b>4,743,550</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(897,664)</b>	<b>355,681</b>
Cash and Cash Equivalents, beginning of year	<b>1,651,156</b>	1,295,475
Cash and Cash Equivalents, end of year	<b>\$ 753,492</b>	<b>\$ 1,651,156</b>

## Notes to Consolidated Financial Statements

Years Ended June 30, 2015 and 2014

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### 1. Description of Organization and Summary of Significant Accounting Policies

**Nature of operations** - HealthCare Chaplaincy Network, Inc. (the "Network"), is the sole member of HealthCare Chaplaincy, Inc., (the "Chaplaincy"), a center for health-related spiritual care, education and research in the field of professional Chaplaincy care and the National Center for Palliative Care Innovation, Inc., (the "NCPCI"), an entity focused on creating palliative care facilities, collectively (the "Organization"). Management's plan is to dissolve NCPCI during 2016. Each of these three entities are exempt under section 501(c)(3) of the Internal Revenue Code.

The Chaplaincy's 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 Network was established to provide corporate support, governance and oversight to the Chaplaincy and NCPCI.

The accompanying consolidated financial statements include the accounts of the Network, Chaplaincy and NCPCI.

**Basis of presentation** - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting. All intercompany accounts have been eliminated.

**Net assets** - The net assets of the Organization 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 Organization.

**Temporarily restricted** - Net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Organization 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 Organization. Generally, the donors of these funds permit the Organization 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 Organization 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 Organization 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 Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

## Notes to Consolidated Financial Statements

Years Ended June 30, 2015 and 2014

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**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 years ended June 30, 2015 and 2014, the Organization received contributed services of \$30,003 and \$156,897, respectively, which are included in both program and supporting services in the accompanying consolidated statements of activities and changes in net assets.

**Cash and cash equivalents** - The Organization 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 values. 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 statements 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 Organization 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.

**Equipment and depreciation** - Equipment is stated at cost except for donated assets, which are recorded at fair value at the time of donation. The Organization'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 Organization's equipment range from 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 Network, the Chaplaincy and NCPCI qualify as tax-exempt, not-for-profit organizations under Section 501(c)(3) of the Internal Revenue Code. The Network and NCPCI are non-profit corporations under the laws of Delaware. The Chaplaincy is a non-profit corporation under the laws of New York State. Accordingly, no provision for federal or state income taxes is required.

**Notes to Consolidated Financial Statements**

*Years Ended June 30, 2015 and 2014*

**Uncertain tax positions** - Management evaluated the Organization's tax positions and concluded that the Organization 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 Network, the Chaplaincy and NCPCI are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years before 2012, 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 has 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 January 26, 2016, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

**Reclassifications** - Certain 2014 amounts have been reclassified to conform to the current year presentation.

**2. Pledges and Grants Receivable**

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

<i>June 30,</i>	<b>2015</b>	<b>2014</b>
Unconditional Promises to Give	\$ 10,000	\$ 458,250
Less Discount on Pledges and Grants Receivable	-	(2,014)
Less Allowance for Doubtful Pledges and Grants Receivable	-	(91,237)
Net Unconditional Promises to Give	<u>\$ 10,000</u>	<u>\$ 364,999</u>
Amounts Due in:		
Less than one year	\$ 10,000	\$ 352,437
One to two years	-	931
Three to five years	-	11,631
	<u>\$ 10,000</u>	<u>\$ 364,999</u>

The discount rate used to calculate the net present value of the pledges and grants at June 30, 2014 was 0.93%.

# HEALTHCARE CHAPLAINCY NETWORK, INC.

## Notes to Consolidated Financial Statements

Years Ended June 30, 2015 and 2014

### 3. Investments

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

<i>June 30, 2015</i>	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 957,032	\$ -	\$ -	\$ 957,032
Equities	8,613,367	-	-	8,613,367
Fixed Income	2,933,552	-	-	2,933,552
Liquid Alternatives	1,362,088	-	-	1,362,088
Hedge Funds	-	-	134,169	134,169
Total Investments	<u>\$ 13,866,039</u>	<u>\$ -</u>	<u>\$ 134,169</u>	<u>\$ 14,000,208</u>

<i>June 30, 2014</i>	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 13,555,159	\$ -	\$ -	\$ 13,555,159
Hedge Funds	-	1,029,288	1,359,933	2,389,221
Total Investments	<u>\$ 13,555,159</u>	<u>\$ 1,029,288</u>	<u>\$ 1,359,933</u>	<u>\$ 15,944,380</u>

Investment income consists of the following:

<i>Year Ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Total
Interest and Dividend Income	\$ 202,150	\$ 69,767	\$ 271,917
Investment Loss (net of fees of \$87,045)	(160,646)	(55,443)	(216,089)
Net Return on Investments	<u>\$ 41,504</u>	<u>\$ 14,324</u>	<u>\$ 55,828</u>

<i>Year Ended June 30, 2014</i>	Unrestricted	Temporarily Restricted	Total
Interest and Dividend Income	\$ 111,086	\$ 25,817	\$ 136,903
Investment Income (net of fees of \$56,887)	914,377	206,899	1,121,276
Net Return on Investments	<u>\$ 1,025,463</u>	<u>\$ 232,716</u>	<u>\$ 1,258,179</u>

The reconciliation of Level 3 assets was as follows:

<i>Years Ended June 30,</i>	2015	2014
Beginning Balance	\$ 1,359,933	\$ 4,022,782
Redemptions and Withdrawals for Investment Manager Transition	(1,243,571)	(2,845,729)
Net Change in Unrealized Appreciation from Assets Still Held at the Reporting Date	11,849	72,837
Net Change in Unrealized/Realized Appreciation from Assets Sold During the Reporting Period	5,958	110,043
Ending Balance	<u>\$ 134,169</u>	<u>\$ 1,359,933</u>