

NORTH PENN COMMUNITY HEALTH FOUNDATION

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

JUNE 30, 2009 AND 2008

NORTH PENN COMMUNITY HEALTH FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
<i>Statement of Financial Position,</i> June 30, 2009 and 2008	2
<i>Statement of Activities and Changes in Net Assets,</i> Year ended June 30, 2009 with summarized information for 2008	3
<i>Statement of Cash Flows,</i> Years ended June 30, 2009 and 2008	4
<i>Notes to Financial Statements</i>	5
SUPPLEMENTAL INFORMATION	
<i>Schedule of Grants,</i> Year ended June 30, 2009	12
<i>Statement of Functional Expenses,</i> Year ended June 30, 2009 with summarized information for 2008	13

TAIT, WELLER & BAKER LLP
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
North Penn Community Health Foundation
Colmar, Pennsylvania

We have audited the accompanying statement of financial position of North Penn Community Health Foundation as of June 30, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from North Penn Community Health Foundation's 2008 financial statements and, in our report dated October 22, 2008 we expressed an unqualified opinion on these financial statements.

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 our 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 North Penn Community Health Foundation as of June 30, 2009, 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.

The accompanying financial statements include the statement of financial position, changes in net assets and cash flows of North Penn Community Health Foundation. As further discussed in Note 1, the accompanying financial statements do not include the financial position, changes in net assets and cash flows of North Penn Community Health Foundation's controlling interest in 2506 LLC. Accordingly, the accompanying financial statements are not intended to present the consolidated financial position, changes in net assets and cash flows of North Penn Community Health Foundation as of and for the year ended June 30, 2009.

Our audit was performed for the purpose of forming the opinion on the basic financial statements referred to above taken as a whole. The accompanying supplemental information for grants and functional expenses, on pages 12 and 13, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
October 26, 2009, except for Note 4,
as to which the date is February 4, 2010

NORTH PENN COMMUNITY HEALTH FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 409,096	\$ 126,064
Short-term investments	-	269,407
Accrued interest income	-	1,751
Prepaid and other current assets	23,086	6,428
Due from broker (<i>Note 2</i>)	1,987,367	-
Long-term investments (<i>Notes 2 and 3</i>)	28,283,959	43,904,260
Note receivable from affiliate (<i>Note 4</i>)	2,529,663	2,037,769
Other investments (<i>Note 3</i>)	686,288	857,864
Beneficial interest in perpetual trust (<i>Note 3</i>)	175,255	236,060
Property and equipment – net (<i>Note 4</i>)	<u>275,501</u>	<u>313,397</u>
Total assets	<u>\$34,370,215</u>	<u>\$47,753,000</u>
LIABILITIES		
Grants payable	\$ 447,350	\$ 577,850
Accounts payable and accrued expenses	51,559	62,974
Other liabilities in connection with North Penn Hospital	<u>686,288</u>	<u>857,864</u>
Total liabilities	<u>1,185,197</u>	<u>1,498,688</u>
NET ASSETS		
Unrestricted		
General Fund	32,745,588	45,754,077
Permanently restricted (<i>Note 5</i>)	<u>439,430</u>	<u>500,235</u>
Total net assets	<u>33,185,018</u>	<u>46,254,312</u>
Total liabilities and net assets	<u>\$34,370,215</u>	<u>\$47,753,000</u>

NORTH PENN COMMUNITY HEALTH FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2009 With Summarized Information For 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009</u>	<u>2008</u>
REVENUE					
Investment income					
Interest and dividends (net of investment management and advisory fees of \$186,176 in 2009; \$103,957 in 2008) (<i>Note 2</i>)	\$ 436,473	\$ -	\$ -	\$ 436,473	\$ 1,203,276
Income from perpetual trusts	5,718	-	-	5,718	5,895
Other income	166	-	-	166	-
Contributions	1,165	2,500	-	3,665	2,125
Bequests	-	-	-	-	1,000
Change in beneficial interest in perpetual trust	-	-	(60,805)	(60,805)	(19,253)
Net realized and unrealized gain (loss) on long-term investments (<i>Note 2</i>)	(11,591,146)	-	-	(11,591,146)	(2,818,866)
Net assets released from restrictions (<i>Note 5</i>)	<u>2,500</u>	<u>(2,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>(11,145,124)</u>	<u>-</u>	<u>(60,805)</u>	<u>(11,205,929)</u>	<u>(1,625,823)</u>
EXPENSES					
Program grants	1,062,467	-	-	1,062,467	1,097,616
Other program activities	<u>341,313</u>	<u>-</u>	<u>-</u>	<u>341,313</u>	<u>332,422</u>
Total program expenses	<u>1,403,780</u>	<u>-</u>	<u>-</u>	<u>1,403,780</u>	<u>1,430,038</u>
Management and general	<u>226,347</u>	<u>-</u>	<u>-</u>	<u>226,347</u>	<u>200,236</u>
Total expenses	<u>1,630,127</u>	<u>-</u>	<u>-</u>	<u>1,630,127</u>	<u>1,630,274</u>
Net operating revenue (expense)	<u>(12,775,251)</u>	<u>-</u>	<u>(60,805)</u>	<u>(12,836,056)</u>	<u>(3,256,097)</u>
NON-OPERATING REVENUE (EXPENSES)					
North Penn Hospital related revenue (expenses)	(45,044)	-	-	(45,044)	(1,021)
Contribution to Affiliate	<u>(188,194)</u>	<u>-</u>	<u>-</u>	<u>(188,194)</u>	<u>(218,114)</u>
Change in net assets	<u>(13,008,489)</u>	<u>-</u>	<u>(60,805)</u>	<u>(13,069,294)</u>	<u>(3,475,232)</u>
NET ASSETS					
Beginning of year	<u>45,754,077</u>	<u>-</u>	<u>500,235</u>	<u>46,254,312</u>	<u>49,729,544</u>
End of year	<u>\$ 32,745,588</u>	<u>\$ -</u>	<u>\$ 439,430</u>	<u>\$ 33,185,018</u>	<u>\$ 46,254,312</u>

See notes to financial statements.

NORTH PENN COMMUNITY HEALTH FOUNDATION

STATEMENT OF CASH FLOWS

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
DECREASE IN CASH		
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$(13,069,294)	\$ (3,475,232)
<i>Adjustments to reconcile the net change in net assets to net cash used for operating activities</i>		
Depreciation	66,982	28,312
Net realized and unrealized losses on long-term investments	11,591,146	2,818,866
Change in beneficial interest in perpetual trust	60,805	19,253
Loss on disposal of fixed asset	-	7,399
(Increase) decrease in		
Accrued interest income	1,751	41,807
Note receivable	(491,894)	-
Prepaid and other current assets	(16,658)	43,243
Increase (decrease) in		
Grants payable	(130,500)	(383,300)
Accounts payable and accrued expenses	(11,415)	11,244
Other liabilities in connection with North Penn Hospital	<u>(171,576)</u>	<u>(1,255,016)</u>
Net cash used for operating activities	<u>(2,170,653)</u>	<u>(2,143,424)</u>
<i>Cash flows from investing activities</i>		
Purchase of property and equipment, net	(29,086)	(1,165,687)
Purchases of investments	(25,569,045)	(38,711,038)
Proceeds from sale of investments	29,598,200	40,765,478
Proceeds due from broker	(1,987,367)	-
(Increase) decrease in other investments	<u>171,576</u>	<u>1,255,016</u>
Net cash provided by investing activities	<u>2,184,278</u>	<u>2,143,769</u>
Net increase in cash	13,625	345
<i>Cash and cash equivalents and short-term investments</i>		
Beginning of year	<u>395,471</u>	<u>395,126</u>
End of year	<u>\$ 409,096</u>	<u>\$ 395,471</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITY:		
Transfer of construction-in-progress for a note receivable	<u>\$ -</u>	<u>\$ 845,823</u>

NORTH PENN COMMUNITY HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 and 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

The North Penn Community Health Foundation (the “*Foundation*”) is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was a Type III functionally non-integrated supporting organization as defined by Section 509(a)(3) of the Internal Revenue Code. Effective July 1, 2008, the Foundation is classified as a private foundation in accordance with Section 501(c)(3) of the Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax on its investment income.

The Foundation’s mission is to identify, select and invest in programs and agencies that will improve the health, welfare and quality of life of the community. The Foundation operates by the following guiding principals: The Foundation seeks to: Be a catalyst for change; Promote lasting value; Identify and advocate for low and moderate income individuals/families; and support innovative and collaborative approaches to solutions addressing unmet community needs.

BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting. These financial statements include only the accounts of the Foundation. There are separate consolidated financial statements that include the accounts of 2506 LLC and the Foundation.

ACCOUNTING ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that financial statements were available for issuance, October 26, 2009, have been evaluated in the preparation of the financial statements.

CONCENTRATION OF CREDIT RISK

The Foundation occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 107 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institution in which deposits are made.

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents except money markets held for reinvestment which are included within investments.

NORTH PENN COMMUNITY HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

INVESTMENTS

Marketable securities are stated at market (*See Note 2*).

BENEFICIAL INTEREST IN PERPETUAL TRUST

The beneficial interest in perpetual trust includes the Foundation's respective share of the fair value of the total funds held in trust by others for which the Foundation is the recipient of a portion of the income. This perpetual trust is included within the permanently restricted net assets.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation is provided on the straight-line basis over estimated useful lives of 7 years for furniture and fixtures, 5 years for office equipment and 3 years for computers.

OTHER LIABILITIES AND EXPENSES IN CONNECTION WITH NORTH PENN HOSPITAL

The Foundation continues to carry certain liabilities and related assets from the former hospital operations related to deferred compensation. In addition, certain income and expenses related to the former hospital operations are included in the statement of activities.

NET ASSETS

For accounting and reporting purposes, the Foundation classifies its resources into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted Net Assets – include the revenues and expenses associated with the principal mission of the Foundation.

Temporarily Restricted Net Assets – include gifts for which restrictions have not been met.

Permanently Restricted Net Assets – includes the Foundation's beneficial interest in a perpetual trust which is not held by the Foundation as well as the principal of other permanently restricted trusts held by the Foundation.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2008, from which the summarized information was derived.

NORTH PENN COMMUNITY HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

(2) LONG-TERM INVESTMENTS

A summary of investments at June 30, is as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds				
Fixed Income	\$ -	\$ -	\$ 2,772,336	\$ 2,654,792
Money Market Funds	1,538,908	1,538,908	953,581	953,581
Equity	-	-	11,005,725	10,739,377
Multi-Asset Funds	16,631,446	18,778,115	-	-
Fixed Income	-	-	1,151,531	985,930
Common Stocks	-	-	15,271,462	16,018,457
Alternative Investments	<u>8,366,090</u>	<u>7,966,936</u>	<u>11,050,000</u>	<u>12,552,123</u>
	<u>\$26,536,444</u>	<u>\$28,283,959</u>	<u>\$42,204,635</u>	<u>\$43,904,260</u>
			<u>2009</u>	<u>2008</u>
Unrealized Appreciation (Depreciation)				
End of Year			\$ 1,747,515	\$ 1,699,625
Beginning of Year			<u>1,699,625</u>	<u>8,396,960</u>
Change in Unrealized Appreciation (Depreciation)			47,890	(6,697,335)
Realized Net (Loss) Gain for the Year			<u>(11,639,036)</u>	<u>3,878,469</u>
Net Realized and Unrealized Loss on Investments			(11,591,146)	(2,818,866)
Interest and Dividends				
(Net of investment management and advisory fees of \$186,176 in 2009; \$103,957 in 2008)			<u>436,473</u>	<u>1,203,276</u>
Total Return			<u>\$(11,154,673)</u>	<u>\$(1,615,590)</u>

The Foundation has alternative investments through limited partnerships and private investment companies. These limited partnerships and private investment companies investments consist of both publicly and nonpublicly based securities. For publicly traded securities, the fair value is based on quoted market prices. For nonpublicly traded securities, the fair value has been estimated by the respective investment managers and is based upon available information in the absence of readily ascertainable market values and does not necessarily represent amounts that might ultimately be realized. Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed. These differences could be material.

As of June 30, 2008, the Foundation had an investment in Iowa Student Loan Auction Rate Securities. These investments which are included in fixed income securities were purchased for \$1,100,000 and had a market value of \$936,100 as of June 30, 2008. In February 2008, the auctions related to the selling of such securities failed and these securities became illiquid. Subsequent to June 30, 2008, UBS Financial Services, Inc., the broker for the auction rate securities, offered the Foundation an opportunity to liquidate their auction rate securities at par during a two year period commencing in January 2009. On January 5, 2009, the Foundation received principal and accrued in interest of \$1,103,357 as liquidation of these securities.

NORTH PENN COMMUNITY HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

The due from broker balance of \$1,987,367 represents the redemption value of the Foundation's investment in Meridian Performance Partners, Ltd (the "*Fund*"). In accordance with the redemption agreement, the Foundation will receive \$1,692,894 in cash of which \$1,494,157 was received in August 2009 and an in-kind distribution of \$294,473 in the non-voting participating shares of two limited partnerships. The remaining amount of cash of \$198,73 is subject to the final audit of the Fund.

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS

On July 1, 2008, the Foundation adopted Financial Accounting Standards Board No. 157 "*Fair Value Measurements*," which was issued in September 2006 effective for fiscal years beginning after November 15, 2007. This standard clarifies the definition of fair value and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 – quoted prices in active markets for identical securities.

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Foundation's investments as of June 30, 2009 is as follows:

	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Mutual Funds				
Money Market	\$ 1,538,908	\$ 1,538,908	\$ -	\$ -
Multi-Asset Fund	18,778,115	18,778,115	-	-
Alternative Investments	<u>7,966,936</u>	<u>-</u>	<u>-</u>	<u>7,966,936</u>
	<u>\$28,283,959</u>	<u>\$20,317,023</u>	<u>\$ -</u>	<u>\$7,966,936</u>
Other Investments				
Mutual Funds	<u>\$ 686,288</u>	<u>\$ 686,288</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial Interests in Perpetual Trust				
Mutual Funds				
Fixed Income	\$ 66,855	\$ -	\$ -	\$ 66,855
Money Market	3,548	-	-	3,548
Equity	88,015	-	-	88,015
Other	<u>16,837</u>	<u>-</u>	<u>-</u>	<u>16,837</u>
Beneficial Interest in Perpetual Trust	<u>\$ 175,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,255</u>

NORTH PENN COMMUNITY HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

The classification of other investments included in the table above is not meant to be indicative of the classification of investments in the underlying portfolios of these other investments into the SFAS 157 fair value hierarchy. The classification is based upon the Foundation's classification of its investments in these other investments, where there is no public market for these securities and these investments are subject to various withdrawal restrictions. Although certain of these other investments may contain investments in publicly-held securities (Level 1), there are no active market quotations for the investments which contain such publicly-held securities.

The Beneficial Interests in Perpetual Trust is measured at the estimated future cash flows which involve unobservable inputs. As a result, the present value technique is a Level 3 input.

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value are as follows:

	<u>Investments</u>	<u>Beneficial Interest In Perpetual Trusts</u>
Balance, July 1, 2008	\$12,552,123	\$236,060
Purchases/Sales, net	(2,383,910)	-
Unrealized losses	<u>(2,201,277)</u>	<u>(60,805)</u>
Balance, June 30, 2009	<u>\$ 7,966,936</u>	<u>\$175,255</u>

(4) PROPERTY AND EQUIPMENT

The cost and accumulated depreciation at June 30 was as follows:

	<u>2009</u>	<u>2008</u>
Furniture, fixtures and equipment	\$ 399,895	\$373,098
Accumulated Depreciation	<u>(124,394)</u>	<u>(59,701)</u>
	<u>\$ 275,501</u>	<u>\$313,397</u>

Depreciation expense for the years ended June 30, 2009 and 2008 was \$66,982 and \$28,312, respectively.

The Foundation acquired real estate located in Hatfield Township for the purpose of constructing a non-profit center that houses several health and human services agencies as well as the Foundation itself. A limited liability corporation ("**2506 LLC**") controlled by the Foundation was established in July 2006 to construct, own and operate the facility. The construction of the building was completed in February 2008 and the cost of the land and construction of the building totaled approximately \$7.1 million. In December 2006, the Foundation transferred the deed and ownership of the land and any improvements to 2506 LLC in exchange for a note receivable. In addition, the Foundation financed certain construction cost related to the Building. As of June 30, 2009, the Foundation has an outstanding note receivable from the 2506 LLC of \$2,529,663 in conjunction with the acquisition of the property and certain construction costs. The note receivable is payable on demand and accrues interest at a fixed rate of 4.37% with interest payment due annually on June 30th. The accrued interest of \$105,534 and \$86,560 related to this note receivable incurred through June 30, 2009 and 2008 was forgiven by the Foundation. The forgiveness of interest on related party debt is included in contribution to affiliate within the statement of activities.

NORTH PENN COMMUNITY HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

In December 2006, the Foundation and 2506 LLC entered into a construction loan and mortgage agreement in the amount of \$4.5 million with a bank. The outstanding balance on the related note payable at June 30, 2009 was \$4,327,736 which is reflected as a liability of 2506 LLC, however, the Foundation is jointly liable to repay the loan. The Foundation and 2506 LLC also entered into a swap arrangement commencing on October 31, 2007 with a bank in the notional amount of \$4.5 million, whereby the Foundation and 2506 LLC will pay a fixed rate of interest of 4.37% and receive a variable rate of interest based on LIBOR plus 110 basis points. As of June 30, 2009 and 2008, the fair value of the swap agreement was \$440,010 and \$253,250, respectively, in favor of the bank and the related obligation is reflected as an obligation of 2506 LLC.

The Foundation and 2506 LLC are subject to compliance of financial covenants under the terms of the loan agreement. The financial covenants require the Foundation and 2506 LLC to maintain an annual minimum debt service coverage ratio of 1.20 or greater and a tangible net worth of not less than \$10 million. On February 4, 2010, the lending bank issued a waiver of the annual minimum debt service coverage ratio for the year ended June 30, 2009. As of the date of this waiver, the Foundation, 2506 LLC and the bank were negotiating an amendment to the annual minimum debt service coverage ratio effective for the year ended June 30, 2010.

(5) NET ASSETS

Permanently restricted net assets at June 30, are as follows:

	<u>2009</u>	<u>2008</u>
Beneficial Interest in Perpetual Trusts	\$ 175,255	\$236,060
Other	<u>264,175</u>	<u>264,175</u>
	<u>\$439,430</u>	<u>\$500,235</u>

Net assets released from restrictions for the year ended June 30, were as follows:

	<u>2009</u>	<u>2008</u>
Discretionary and Designated	\$ -	\$16,103
Behavioral Health Integration Study	<u>2,500</u>	-
	<u>\$2,500</u>	<u>\$16,103</u>

(6) CONTINGENCIES

The management and administration of the delivery of healthcare services entailed significant risks of liability to North Penn Hospital. As such, North Penn Hospital was subject to various actions and claims arising from the acts or omissions of its employees, providers or other parties. These actions gave rise to malpractice, professional negligence and other related claims against North Penn Hospital and, as successor to the North Penn Hospital, the Foundation.

These claims and lawsuits relate to the following: (1) various medical malpractice claims; and (2) a claim for compensatory damages in the amount of \$2.5 million for employees' unused and unpaid vacation and personal leave benefits accrued and or earned during their employment at North Penn Hospital. Legal counsel is of the opinion that an evaluation of the likelihood of the outcome of these matters is not yet possible as the charges and claims are currently still being investigated. The Foundation has professional liability insurance covering medical malpractice claims only.

NORTH PENN COMMUNITY HEALTH FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2009 and 2008

(7) RELATED PARTY

The Foundation has made contributions to 2506 LLC in the amount of \$188,194 and \$218,114, for the years ended June 30, 2009 and June 30, 2008, respectively. The contributions were made to fund operations and to forgive accumulated interest on a note receivable from 2506 LLC (*See Note 4*).

(8) COMMITMENT

The Foundation leases its office space from 2506 LLC. The Foundation's lease is for 5 years and expires in 2013.

The minimum annual lease commitment is as follows:

2010	\$ 57,200
2011	57,200
2012	57,200
2013	<u>33,400</u>
	<u>\$205,000</u>

SUPPLEMENTAL INFORMATION

NORTH PENN COMMUNITY HEALTH FOUNDATION

SCHEDULE OF GRANTS

Year Ended June 30, 2009

	<u>2009</u>
Program Grants	
Bucks County Council on Alcoholism and Drug Dependence, Inc.	\$ 40,000
Delaware Valley Community Health	45,000
The Free Health Clinic of Montgomery County, Inc. (Healthlink)	50,000
The Food Trust (2)	112,000
Greater North Penn Collaborative for Health and Human Services (2)	71,000
Health Promotion Council of Southeastern Pennsylvania, Inc.	141,000
Indian Creek Foundation	40,000
Keystone Opportunity Center, Inc. (2)	109,000
Montgomery County Community College Foundation	22,000
Montgomery County Foundation, Inc.	80,000
North Penn Valley Boys and Girls Club, Inc.	35,000
North Penn Visiting Nurse Association	150,000
North Penn YMCA	25,000
Peaceful Living	<u>12,000</u>
Total Program Grants	932,000
Matching Grants	9,250
Health Education Mini Grants	<u>9,645</u>
Total Grants Awarded During Fiscal Year Ended June 30, 2009	950,895
Plus conditional grants awarded in prior year recognized in current year:	
Family Services of Montgomery County	60,000
Greater North Penn Collaborative for Health and Human Services	20,000
Peaceful Living	18,000
The Philadelphia Foundation	14,600
Legal Aid of Southeastern Pennsylvania	5,000
Less grants recovered	<u>(6,028)</u>
Total Grant Expense	<u>\$1,062,467</u>

NORTH PENN COMMUNITY HEALTH FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Years Ended June 30, 2009 and 2008

	<u>2009</u>			<u>2008</u>
	<u>Other Program Activity</u>	<u>Management And General</u>	<u>Total</u>	<u>Total</u>
Salaries	\$142,809	\$ 74,481	\$217,290	\$220,153
Payroll Taxes/Employee Benefits	35,026	17,791	52,817	33,392
Professional Services				
Legal Fees	-	22,180	22,180	45,192
Audit and Accounting	-	17,550	17,550	13,250
Consulting	9,271	2,134	11,405	18,126
Occupancy	50,048	25,144	75,192	69,155
Telephone and Communications	6,716	3,316	10,032	6,549
Office and Computer Supplies	8,637	3,055	11,692	15,116
Printing and Public Relations	16,778	45	16,823	23,294
Insurance	4,342	2,187	6,529	6,409
Postage	1,565	791	2,356	2,448
Meeting and Travel Expenses	8,811	25,871	34,682	27,322
Dues and Subscriptions	9,450	647	10,097	8,964
Depreciation	44,739	22,243	66,982	28,312
Excise Tax	-	7,501	7,501	-
Miscellaneous	<u>3,121</u>	<u>1,411</u>	<u>4,532</u>	<u>14,976</u>
Total	<u>\$341,313</u>	<u>\$226,347</u>	<u>\$567,660</u>	<u>\$532,658</u>