

**MARGARET AND PETER CHANG  
FOUNDATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**MARGARET AND PETER CHANG  
FOUNDATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Changes in Cash	5
State of Functional Expenses	6
Notes to Financial Statements	7-11

*Ketcham & Associates, LLC*  
*Certified Public Accounting*  
*202 Mountain Avenue*  
*P.O. Box 2610*  
*Westfield, NJ 07091*

**Independent Auditor's Report**

To the Board of Trustees of  
Margaret and Peter Chang Foundation  
Westfield, NJ

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Margaret and Peter Chang Foundation which comprise the statements of financial position as of December 31, 2013 and the related statements of activities, net assets, and cash flows for the year then ended and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 of 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 Margaret and Peter Chang Foundation as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Ketcham & Associates, LLC*

December 28, 2014

**MARGARET AND PETER CHANG  
FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

**ASSETS**

	<b><u>2013</u></b>
<b><u>Current Assets</u></b>	
Cash and cash equivalents	90,378
Total Current Assets	<u>90,378</u>
<b><u>Other Assets</u></b>	
Investments	2,719,490
Total Investments	<u>2,719,490</u>
Total Assets	<u><u>2,809,867</u></u>

**LIABILITIES AND NET ASSETS**

<b><u>Current Liabilities</u></b>	
Accounts payable	5,595
Grants payable	301,700
Total Current Liabilities	<u>307,295</u>
<b><u>Long-term Liabilities</u></b>	
Grants payable, net of current portion	70,000
Total Long-term Liabilities	<u>70,000</u>
<b><u>Net Assets</u></b>	
Unrestricted	2,432,572
Temporarily restricted	-
Total Net Assets	<u>2,432,572</u>
Total Liabilities and Net Assets	<u><u>2,809,867</u></u>

**MARGARET AND PETER CHANG  
FOUNDATION**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>
<b>Public Support and Revenues</b>			
Public Support:			
Contributions	2,000,000	-	2,000,000
Total Public Support	2,000,000	-	2,000,000
Revenues:			
Investment income	150,967	-	150,967
Total Revenues	150,967	-	150,967
<b>Net assets release from restrictions</b>	-	-	-
Total Public Support and Revenues	2,150,967	-	2,150,967
<b>Expenses</b>			
Program services	343,074	-	-
Management and general	31,664	-	-
Fundraising	-	-	-
Total Expenses	374,738	-	374,738
<b>Change in Net Assets</b>	1,776,230	-	1,776,230
<b>Net Assets, Beginning of year</b>	656,342	-	656,342
<b>Net Assets, End of year</b>	2,432,572	-	2,432,572

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

**MARGARET AND PETER CHANG  
FOUNDATION**

**STATEMENT OF CHANGES IN CASH**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	1,776,230
Adjustments to reconcile excess of revenue, support and investment income over expense to net cash provided by operating activities	
Loss (gain) on marketable securities	(81,287.56)
Increase (decrease) in accounts payable	5,596
Increase (decrease) in grants payable	18,300
Net cash provided (used) by operating activities	<u>1,718,838</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale (purchase) of marketable securities	<u>(1,750,198)</u>
Net cash provided (used) by financing activities	<u>(1,750,198)</u>
<b>NET CHANGE IN CASH</b>	(31,360)
<b>CASH, BEGINNING OF YEAR</b>	<u>121,738</u>
<b>CASH, END OF YEAR</b>	<u><u>90,378</u></u>
 Supplementary information:	
Interest	-
income taxes	<u>1,845</u>

MARGARET AND PETER CHANG  
FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED  
DECEMBER 31, 2013

	<u>Programs</u>	<u>Management &amp; general</u>	<u>Fundraising</u>	<u>2013</u>
Grants and awards	343,074	-	-	343,074
Professional fees	-	29,195	-	29,195
Taxes, dues, licenses and fees	-	2,469	-	2,469
	<u>343,074</u>	<u>31,664</u>	<u>-</u>	<u>374,738</u>

# MARGARET AND PETER CHANG FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

### Note 1 – Operations

The Margaret and Peter Chang Foundation (Foundation) is a not-for-profit foundation established in 2009 to support hospitals, surgical centers and other not-for-profit organizations. The Foundation makes restricted grants to such institutions to provide support for children’s physical and mental health and well-being, primarily counselling and unmet medical needs in and around the Scotch Plains, New Jersey area.

### Note 2 - Summary of Significant Accounting Policies

a. Method of Accounting - The financial statements of the Foundation has been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Foundation follows the provisions of Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Accordingly, the Foundation reflects all significant receivables, other assets, payables, and other liabilities, and recognizes revenue when earned and expenses when incurred.

b. Basis of presentation - External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The Foundation has accounting transactions in three net asset categories as follows:

Unrestricted Net Assets – Net assets that are not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

Temporarily Restricted Net Assets – Net assets whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of usage restriction as their time and purpose requirements are met.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that are to be maintained permanently by the Organization. Generally, the donors of these assets permit the agency to use all or part of the income earned on any related investments for general or specific purposes

c. Cash and Cash Equivalents - The Foundation defines cash and cash equivalents as short-term, highly liquid investments with maturities of three months or less.

d. Fair Value Measurements - The Financial Accounting Standards Board (“FASB”) issued Topic 820, under the FASB Accounting Standards Codification, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value,

the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. Assets and liabilities, subject to the standard, measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes securities for which quoted prices are available but traded less frequently and securities that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the Foundation has generally considered to be less than 30 days.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management’s best estimate of fair value where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can be redeemed at that NAV in 30 or more days, or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s Level within the fair value hierarchy is based on the lowest verifiable level, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by an entity. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated and does not necessarily correspond to the Foundation’s perceived risk of the respective instrument.

e. Marketable investments - The Foundation's investment portfolio consists of U.S. Treasury notes, mortgages and corporate bonds, and common stocks, held by way of diversified mutual funds. Therefore, the Foundation is subject to risk of market volatility. Investments are reported at fair value, with unrealized gains and losses recorded as a component of results of operations.

f. Income Taxes – The Foundation is exempt from federal income taxes under Section 501(c)(3) and is classified as a private foundation under Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise taxes as well as federal and state unrelated business income tax.

g. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h. Volunteer Services - Many volunteers have donated services to the Foundation's activities; however, no amounts are included in the accompanying financial statements to reflect their services as they do not meet the criteria for accrual of donated services under Statement of Financial Accounting Standards No. 116.

i. Pledges Receivable/Contributions - The Foundation records contributions, including unconditional promises to give (pledges), at the time such contributions are made and confirmed from the respective donor. Contributions are considered unrestricted unless a donor-imposed restriction limits the use of such contributions. Contributions restricted for time and/or program-specific purposes are recorded as temporarily restricted net assets and then released to unrestricted net assets when the respective restriction is satisfied. Receivables are written-off in the period in which they are deemed uncollectible. In addition, all pledges are reviewed and assessed on an individual basis for collectability annually. Any pledges deemed uncollectible are written-off as part of this process. The Foundation does not record an allowance for uncollectible pledges.

j. Grants Payable - Grants are recorded by the Foundation upon approval by its Board of Trustees and notification to the grantee. It is the Foundation's intent that amounts reflected as grants payable on the accompanying statements of financial position will be fulfilled in 2014, except as discussed in Note 9. Rescinded grants are recorded as a reduction to grant expense.

k. Subsequent Events - The Organization has evaluated subsequent events for potential recognition and/or disclosure in the December 31, 2013 financial statements through May 8, 2014, the date that the financial statements were available to be issued.

**Note 3 - Marketable Securities**

As of December 31, 2013 marketable securities consisted of the following:

<u>Description</u>	<u>December 31, 2013</u>	
	<u>Market value</u>	<u>Cost</u>
Level 2 Investments		
Exchange-Traded & Closed-End Funds	<u>2,719,490</u>	<u>2,608,960</u>
	<u>2,719,490</u>	<u>2,608,960</u>

**Note 4 - Investment income**

	<u>2013</u>
Interest and dividends	29,170
Net gain (loss) on investments	<u>121,797</u>
	<u>150,967</u>

**Note 5 - Federal Excise Taxes**

The Foundation is subject to federal excise taxes imposed on private foundations at 2% or at 1% if certain conditions are met. The excise tax is imposed on net investment income, as defined under federal law, which includes interest, dividends, and net realized gains on the sale of investments. The deferred excise tax expense for 2013 is \$1,845.

## Note 6 – Related Party Transactions

The Foundation periodically enters into business transactions with outside organizations that employ or have other relationships with members of the Board of Trustees of the Margaret and Peter Chang Foundation or their family members. Under the Foundation’s conflict of interest policy, the Board of Trustees monitors these transactions, and steps are taken to ensure that the transactions are appropriate for the Foundation. Related party transactions during 2013 included:

- The Foundation utilized the legal and investment services provided by professional service organizations that employ a board member of the Foundation or a relative. The amount spent on these services during 2013 was \$25,444.

## Note 7 – Concentration of Credit Risk

The Foundation maintains cash balances with their principal financial institution that exceeds the federally insured limit. It is the opinion of management that the solvency of the financial institution holding this cash is not of particular concern at this time.

## Note 8 – Income Taxes

The Foundation follows the accounting guidance for uncertainties in income tax positions which requires that a tax position be recognized or derecognized based on a “more likely than not” threshold. This applies to positions taken or expected to be taken in a tax return and the tax years ended 2010, 2011, 2012 and 2013 are still open to audit for both federal and state purposes. The Foundation does not believe its activities result in any uncertain tax positions that would be material to its financial statements taken as a whole.

Further, the Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to assess other matters that may be considered tax positions. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Management believes that no such loss contingencies exist.

## Note 9 – Grants Payable

The following summarizes the change in grants payable during 2013:

Balance, beginning of year	353,400
Grants authorized	295,000
Less Payments made to grantees	<u>(276,700)</u>
Balance, end of year	<u>371,700</u>

Grants authorized but unpaid at December 31, 2013 are payable based on the following schedule:

2014	301,700
2015	60,000
2016	<u>10,000</u>
	<u>371,700</u>

**Note 10 – Concentrations**

For the year ended December 31, 2013 the Foundation received contributions from only one source totaling \$2,000,000.