

MENORAH LEGACY FOUNDATION
YEARS ENDED DECEMBER 31, 2007 AND 2006



HOUSE PARK & DOBRATZ, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MENORAH LEGACY FOUNDATION

YEARS ENDED DECEMBER 31, 2007 AND 2006

CONTENTS

	Page
Independent auditors' report	1
Financial statements:	
Statements of financial position	2
Statements of activities and changes in net assets	3-4
Statements of cash flows	5
Notes to financial statements	6-10



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Independent Auditors' Report

Board of Directors
Menorah Legacy Foundation
Kansas City, Missouri

We have audited the statements of financial position of Menorah Legacy Foundation (Foundation) as of December 31, 2007 and 2006, and the related statements of activities and changes in net assets and cash flows for the years 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 Menorah Legacy Foundation as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

House Park & Dobratz, P.C.

May 19, 2008

MENORAH LEGACY FOUNDATION

STATEMENTS OF FINANCIAL POSITION - DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 70,954	\$ 188,569
Contributions receivable	4,031	8,838
Prepaid expenses	4,569	3,838
Investments (Note 2)	30,116,050	29,466,885
Cash surrender value of life insurance (Note 6)	553,504	546,214
Furniture, fixtures and equipment, less accumulated depreciation of \$29,875 and \$24,116 for 2007 and 2006, respectively	<u>13,816</u>	<u>19,575</u>
	<u>\$ 30,762,924</u>	<u>\$ 30,233,919</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 35,681	\$ 36,455
Grants payable	<u>55,000</u>	<u>114,479</u>
Total liabilities	<u>90,681</u>	<u>150,934</u>
Commitments (Notes 4 and 8)		
Net assets:		
Unrestricted:		
Available for general activities	<u>13,388,797</u>	<u>13,065,510</u>
Restricted:		
Temporarily restricted (Note 3)	13,383,601	13,199,350
Permanently restricted	<u>3,899,845</u>	<u>3,818,125</u>
	<u>17,283,446</u>	<u>17,017,475</u>
Total net assets	<u>30,672,243</u>	<u>30,082,985</u>
	<u>\$ 30,762,924</u>	<u>\$ 30,233,919</u>

See notes to financial statements.

MENORAH LEGACY FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions, net of provision of \$1,668	\$ 27,787	\$ 67,333	(\$ 1,668)	\$ 93,452
Investment income (Note 2)	943,415	1,020,154	210,068	2,173,637
Increase in cash surrender value of life insurance	7,291			7,291
Other income	1,288			1,288
Transfers between asset categories	(7,699)	7,699		
Change in fund classification (Note 7)		126,680	(126,680)	
Net assets released from donor restrictions	<u>1,037,615</u>	<u>(1,037,615)</u>	<u> </u>	<u> </u>
Total revenues, gains and other support	<u>2,009,697</u>	<u>184,251</u>	<u>81,720</u>	<u>2,275,668</u>
Grants and expenses:				
Grants	1,382,671			1,382,671
Operating expenses (Note 5)	<u>303,739</u>			<u>303,739</u>
Total grants and expenses	<u>1,686,410</u>			<u>1,686,410</u>
Change in net assets	323,287	184,251	81,720	589,258
Net assets, beginning of year	<u>13,065,510</u>	<u>13,199,350</u>	<u>3,818,125</u>	<u>30,082,985</u>
Net assets, end of year	<u>\$ 13,388,797</u>	<u>\$ 13,383,601</u>	<u>\$ 3,899,845</u>	<u>\$ 30,672,243</u>

See notes to financial statements.

MENORAH LEGACY FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains and other support:				
Contributions, net of provision of \$15,000	\$ 145,963	\$ 21,994	(\$ 10,000)	\$ 157,957
Investment income (Note 2)	1,549,992	881,782	246,428	2,678,202
Increase in cash surrender value of life insurance	7,763			7,763
Other income	1,373			1,373
Transfers between asset categories	(53,188)	53,188		
Change in fund classification	2,231,138	(2,332,939)	101,801	
Net assets released from donor restrictions	<u>961,238</u>	<u>(961,238)</u>		
Total revenues, gains and other support	<u>4,844,279</u>	<u>(2,337,213)</u>	<u>338,229</u>	<u>2,845,295</u>
Grants and expenses:				
Grants	1,326,068			1,326,068
Operating expenses (Note 5)	<u>266,563</u>			<u>266,563</u>
Total grants and expenses	<u>1,592,631</u>			<u>1,592,631</u>
Change in net assets	3,251,648	(2,337,213)	338,229	1,252,664
Net assets, beginning of year	<u>9,813,862</u>	<u>15,536,563</u>	<u>3,479,896</u>	<u>28,830,321</u>
Net assets, end of year	<u>\$ 13,065,510</u>	<u>\$ 13,199,350</u>	<u>\$ 3,818,125</u>	<u>\$ 30,082,985</u>

See notes to financial statements.

MENORAH LEGACY FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 589,258	\$ 1,252,664
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	5,759	7,160
Realized gains on investments	(1,548,491)	(1,898,441)
Unrealized gains on investments	(72,683)	(343,262)
Changes in assets and liabilities:		
Contributions receivable	4,807	17,650
Prepaid expenses	(731)	1,042
Accounts payable and accrued expenses	(774)	7,104
Grants payable	<u>(59,479)</u>	<u>(20,496)</u>
Net cash used by operating activities	<u>(1,082,334)</u>	<u>(976,579)</u>
Cash flows from investing activities:		
Increase in cash surrender value of life insurance	(7,290)	(7,763)
Net proceeds from sales of investments	<u>972,009</u>	<u>1,056,631</u>
Net cash provided by investing activities	<u>964,719</u>	<u>1,048,868</u>
Net increase (decrease) in cash	(117,615)	72,289
Cash, beginning of year	<u>188,569</u>	<u>116,280</u>
Cash, end of year	<u>\$ 70,954</u>	<u>\$ 188,569</u>

See notes to financial statements.

MENORAH LEGACY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

1. Organization and summary of significant accounting policies:

Organization:

The Menorah Legacy Foundation (Foundation) became an independent charitable foundation with the purchase in 2003 of Menorah Medical Center by HCA, a for-profit health care company. Its mission is impacting healthcare and healthcare-related service within the Greater Kansas City area.

Basis of accounting:

Unrestricted net assets:

The unrestricted net assets represent resources over which the Foundation Directors have discretionary control and are used to carry out operations of the Foundation in accordance with its by-laws.

Temporarily restricted net assets:

Temporarily restricted net assets represent resources available for use currently or in the future, but expendable only for purposes specified by the donor or within a donor-designated time period.

Permanently restricted net assets:

Permanently restricted net assets are those contributions whose use by the Foundation is limited by donor-imposed stipulations that the corpus be held in perpetuity. The earnings from these net assets are available for use for either unrestricted or temporarily restricted purposes as specified by the donor.

Earnings available for expenditure are defined as investment income net of investment expenses, less administrative expenses and grants. Realized and unrealized gains/(losses) on investments are added to/(deducted from) corpus.

Income taxes:

The Foundation received a determination letter from the Internal Revenue Service (IRS) dated August 28, 2003 which states that the Foundation continues to qualify as a publicly supported Foundation and is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. In the event that the Foundation does not meet certain requirements for continued treatment as a publicly supported organization, it will be classified as a private foundation and be subject to excise taxes of one to two percent on investment income, and to mandatory annual distribution requirements.

MENORAH LEGACY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

1. Organization and summary of significant accounting policies (continued):

Furniture, fixtures and equipment and depreciation:

Furniture, fixtures and equipment are stated at cost, if purchased, or fair value at the time of donation, if donated. Depreciation is provided by the straight-line method over the estimated useful lives of the assets.

Investments and concentrations of credit risk:

Investments consist of mutual funds and corporate debt and equity securities. Investments are stated at market value as determined by investment custodians. Cost is determined by purchase price or fair value at the time of donation, if donated.

Financial instruments which potentially subject the Foundation to significant concentrations of credit risk consist principally of cash and investments. The Foundation maintains cash and investments with various major financial institutions. Balances in these accounts frequently exceed federally insured limits. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to these risks, it is at least reasonably possible that changes in risk could occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

Certain assets are pooled for investment purposes. Related investment income, net of investment expenses, and net realized and unrealized gains and losses are allocated to each component fund based on a ratio of the individual weighted average fund balance to total weighted average fund balance.

Substantially all of the Foundation's revenue and support is generated from within the Greater Kansas City community.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

MENORAH LEGACY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

2. Investments:

	<u>Cost</u>	<u>Market value</u>	<u>Excess of market</u>
December 31, 2007:			
Cash	\$ 2,225	\$ 2,225	
Money market funds	2,405,530	2,405,530	
Mutual bond funds	7,038,163	6,990,784	
Equity funds	69,058	68,302	
Preferred stocks	36,850	82,591	
Common stocks, foreign and domestic	<u>16,846,051</u>	<u>20,566,618</u>	
Balance, end of year	<u>\$ 26,397,877</u>	<u>\$ 30,116,050</u>	\$ 3,718,173
Balance, beginning of year	<u>\$ 25,821,395</u>	<u>\$ 29,466,885</u>	<u>3,645,490</u>
Unrealized gains			72,683
Realized gains for the year			<u>1,548,491</u>
Net realized and unrealized gains on investments			<u>\$ 1,621,174</u>
December 31, 2006:			
Money market funds	\$ 1,970,172	\$ 1,970,172	
Mutual bond funds	6,310,356	6,068,878	
Equity funds	26,820	32,160	
Preferred stocks	26,776	28,445	
Common stocks, foreign and domestic	17,482,271	21,362,230	
Foreign bonds	<u>5,000</u>	<u>5,000</u>	
Balance, end of year	<u>\$ 25,821,395</u>	<u>\$ 29,466,885</u>	\$ 3,645,490
Balance, beginning of year	<u>\$ 24,979,585</u>	<u>\$ 28,281,813</u>	<u>3,302,228</u>
Unrealized gains			343,262
Realized gains for the year			<u>1,898,441</u>
Net realized and unrealized gains on investments			<u>\$ 2,241,703</u>

For the years ended December 31, 2007 and 2006, investment income comprises the following:

	<u>2007</u>	<u>2006</u>
Interest and dividend income	\$ 749,612	\$ 655,315
Realized gains	1,548,491	1,898,441
Unrealized gains	72,683	343,262
Investment expenses	(197,149)	(218,816)
	<u>\$ 2,173,637</u>	<u>\$ 2,678,202</u>

MENORAH LEGACY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

3. Temporarily restricted net assets:

Temporarily restricted net assets totaling \$13,383,601 and \$13,199,350 as of December 31, 2007 and 2006, respectively, are available for grants to various qualified charitable organizations for use principally for medical and research needs, general health and welfare programs and other charitable purposes.

4. Leases:

The Foundation leases office space and computer equipment under three-year noncancellable operating leases which require the Foundation to pay applicable insurance, taxes and maintenance. Rent expense under these leases was \$15,737 and \$15,230 for the years ended December 31, 2007 and 2006, respectively. The minimum future annual rental payments under operating leases as of December 31, 2007 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2008	\$ 14,126
2009	<u>8,347</u>
	<u>\$ 22,473</u>

5. Operating expenses:

	<u>2007</u>	<u>2006</u>
Payroll and related expenses (Note 9)	\$ 197,569	\$ 184,783
Accounting and audit fees	10,171	7,000
Awards and gifts	3,849	5,318
Computer and IT expense	8,863	10,410
Depreciation	5,759	7,160
Insurance, general	4,089	3,561
Legal fees	2,812	3,084
Marketing and development fees	19,575	585
Meetings and conferences	11,140	10,063
Membership dues	715	1,247
Office expense	3,803	4,327
Other	3,252	3,043
Postage and delivery	1,116	1,836
Printing and promotion	10,164	3,935
Rent and leases (Note 4)	15,737	15,230
Telephone	5,125	4,556
Temporary labor		<u>425</u>
	<u>\$ 303,739</u>	<u>\$ 266,563</u>

MENORAH LEGACY FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2007 AND 2006

6. Life insurance policies:

The Foundation is the owner and beneficiary of 63 life insurance policies, with a total face amount of \$3,300,000 as of December 31, 2007. Included in the accompanying financial statements is the total cash surrender value of these policies of \$553,504 and \$546,214 as of December 31, 2007 and 2006, respectively.

7. Net assets reclassification:

During 2007, in connection with one of the permanently restricted funds, the Foundation received consent from the donor to remove the restriction on spending fund corpus. These net assets were reclassified from Permanently restricted to Temporarily restricted.

8. Jewish Collaborative Fund:

In 2005, the Foundation received a contribution totaling \$2,882,877 from a trust which designated the Jewish Memorial Hospital (predecessor to Menorah Medical Center) as partial beneficiary. The Jewish Heritage Foundation (JHF) was formed from the sale of Menorah Medical Center (MMC) to Health Midwest in 1993. Because the Foundation and JHF have a shared history through their relationship to MMC and because of their common interest in health care and the Greater Kansas City Jewish community, the Boards of Directors of the respective foundations have agreed to collaborate, via a "Statement of Principles" (Statement), with respect to the use of these assets. A separate "Jewish Collaborative Fund" has been established by the Foundation to hold these assets and is included in unrestricted net assets in the financial statements. Members of the Boards of each foundation have formed a committee to make grant recommendations, and all grants must be approved by the Boards of both entities. If the collaboration and certain other attempts to reach an agreement fail, as defined in the Statement, the Jewish Collaborative Fund as it then exists will be split equally between the two organizations.

In 2007, a conditional grant of \$1,000,000 was approved to the Jewish Community Campus of Greater Kansas City, Inc. (Campus) from the Jewish Collaborative Fund. The grant stipulates that the Campus must raise \$2,000,000 toward a new endowment fund prior to the end of 2008 in order to receive this grant. As the conditions of the grant had not been met as of December 31, 2007, it is not recorded in the financial statements.

9. Retirement plan:

In 2007, the Foundation adopted a retirement plan (the Plan) designed to meet the requirements of Section 403(b) of the Internal Revenue Code. The Plan provides for employee deferrals of at least 1% of compensation, up to 75% of compensation, subject to statutory limits. Foundation contributions are at the discretion of the Board and may include contributions based on a percentage of each eligible employee's compensation as well as matching contributions. In 2007, the Foundation contributed 5% of eligible employees' compensation for a total of \$7,430.