

THE CHILDREN'S HEALTH FUND

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2010

THE CHILDREN'S HEALTH FUND

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Independent Auditor's Report

Board of Directors The Children's Health Fund

We have audited the accompanying statement of financial position of The Children's Health Fund as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of The Children's Health Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from The Children's Health Fund's 2009 financial statements and, in our report dated June 3, 2010, we expressed an unqualified opinion on those 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 the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Children's Health Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Health Fund as of December 31, 2010, 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.

Loeb & Troper LLP

May 4, 2011

THE CHILDREN'S HEALTH FUND
STATEMENT OF ACTIVITIES

EXHIBIT A

YEAR ENDED DECEMBER 31, 2010
(With Summarized Financial Information
for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2010	2010	2010	2009
Revenues, gains and other support				
Contributions and grants				
Foundations	\$ 2,227,454	\$ 5,617,444	\$ 7,844,898	\$ 4,522,146
Corporations and individuals	2,573,684	1,632,247	4,205,931	11,952,696
Government grants	702,749		702,749	486,135
Special events revenues				
Costs of direct benefits to donors	\$ 1,281,276			
Net special events revenues	(363,114)			
Change in value of beneficial interest in lead trust	918,162		918,162	1,304,664
Interest and dividends	10,388		10,388	11,799
Net gain on investments	304,856		304,856	251,282
Net assets released from restrictions	416,602		416,602	790,742
Satisfaction of program restrictions (Note 5)	8,560,403	(8,560,403)		
Total revenues, gains and other support	<u>15,714,298</u>	<u>(1,310,712)</u>	<u>14,403,586</u>	<u>19,319,464</u>
Expenses (Exhibit B)				
Program services				
Children's health care	3,260,937		3,260,937	5,596,399
New York programs	822,124		822,124	1,241,759
Public health and crisis response	5,713,174		5,713,174	6,588,564
National programs	2,028,852		2,028,852	1,898,473
Education				
Total program services	<u>11,825,087</u>		<u>11,825,087</u>	<u>15,325,195</u>

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THE CHILDREN'S HEALTH FUND

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010
 (With Summarized Financial Information
 for the Year Ended December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	2010	2010	2010	2009
Expenses (Exhibit B) (continued)				
Supporting services				
Management and general	\$ 1,474,854		\$ 1,474,854	\$ 1,643,840
Fund raising	1,688,057		1,688,057	1,716,511
Total supporting services	3,162,911		3,162,911	3,360,351
Total expenses	14,987,998		14,987,998	18,685,546
Change in net assets before other changes	726,300	\$ (1,310,712)	(584,412)	633,918
Other changes				
Donated public service announcements - revenue (Note 14)				394,994
Donated public service announcements - expense (Note 14)				(394,994)
Change in net assets (Exhibit D)	726,300	(1,310,712)	(584,412)	633,918
Net assets - beginning of year	4,406,552	2,715,465	2,000,000	9,122,017
Net assets - end of year (Exhibit C)	\$ 5,132,852	\$ 1,404,753	\$ 2,000,000	\$ 8,537,605
				\$ 9,122,017

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010
 (With Summarized Financial Information
 for the Year Ended December 31, 2009)

	Program Services - Children's Health Care					Supporting Services			Total	
	New York Programs	Public Health and Crisis Response	National Programs	Education	Total	Management and General	Fund Raising	Total	2010	2009
Salaries	\$ 506,698	\$ 51,465	\$ 1,434,402	\$ 1,011,137	\$ 3,003,702	\$ 630,664	\$ 978,825	\$ 1,609,489	\$ 4,613,191	\$ 4,524,161
Payroll taxes and employee benefits	95,704	3,513	363,973	244,220	707,410	177,107	271,017	448,124	1,155,534	1,030,352
Total salaries and related expenses	602,402	54,978	1,798,375	1,255,357	3,711,112	807,771	1,249,842	2,057,613	5,768,725	5,554,513
Contributions and grants	1,860,231	748,124	2,685,686		5,294,041				5,294,041	8,561,261
Professional fees	64,500	4,435	84,250	241,301	394,486	104,893	145,222	250,115	644,601	1,316,886
Occupancy (Note 9)	38,780	3,945	108,750	73,772	225,247	43,604	79,377	122,981	348,228	341,584
Travel and conferences	25,587	4,802	354,511	120,243	505,143	41,684	30,973	72,657	577,800	522,421
Office supplies and expenses	31,905	2,647	47,194	35,824	117,570	174,803	46,045	220,848	338,418	346,791
Dues and subscriptions	562		5,577	32,415	38,554	18,281	9,166	27,447	66,001	62,639
Postage and shipping	2,811	253	17,337	4,664	25,065	10,926	14,406	25,332	50,397	44,237
Printing, advertising and website	9,458	1,163	35,405	208,907	254,933	71,867	89,372	161,239	416,172	519,739
Maintenance and lease of equipment	2,301	370	56,450	41,975	101,096	9,948	1,408	11,356	112,452	46,396
Insurance	5,477	1,407	44,611	11,710	63,205	52,871	1,215	54,086	117,291	128,604
Hotel, catering and entertainment							363,114	363,114	363,114	375,299
Donated public service announcements (Note 14)										394,994
Depreciation and amortization	616,923		475,028	2,684	1,094,635	138,206	21,031	159,237	1,253,872	1,240,475
Total expenses	3,260,937	822,124	5,713,174	2,028,852	11,825,087	1,474,854	2,051,171	3,526,025	15,351,112	19,455,839
Donated public service announcements										(394,994)
Less costs of direct benefits to donors							(363,114)	(363,114)	(363,114)	(375,299)
Total expenses reported by function on the statement of activities (Exhibit A)	\$ 3,260,937	\$ 822,124	\$ 5,713,174	\$ 2,028,852	\$ 11,825,087	\$ 1,474,854	\$ 1,688,057	\$ 3,162,911	\$ 14,987,998	\$ 18,685,546

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE CHILDREN'S HEALTH FUND
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010
(With Summarized Financial Information
for December 31, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,029,453	\$ 7,397,677
Investments - allocated (Note 3)	4,257,426	3,580,708
Contributions receivable (Note 7)	5,156,398	4,782,155
Beneficial interest in lead trust (Note 13)	40,000	40,000
Prepaid expenses and deposits	162,021	143,475
Total current assets	15,645,298	15,944,015
Investments - allocated (Note 3)	2,000,000	2,000,000
Beneficial interest in lead trust (Note 13)	178,154	207,766
Contributions receivable - long term (Note 7)	378,685	2,226,644
Donated assets (lithographic art)	73,100	73,100
Fixed assets - net (Note 4)	3,855,959	4,149,795
Total assets	<u>\$ 22,131,196</u>	<u>\$ 24,601,320</u>

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THE CHILDREN'S HEALTH FUND

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010
(With Summarized Financial Information
for December 31, 2009)

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 492,463	\$ 208,404
Government grant advances	293,500	145,000
Grants payable (Note 8)	<u>12,607,628</u>	<u>13,852,899</u>
Total current liabilities	13,393,591	14,206,303
Grants payable - long term (Note 8)	<u>200,000</u>	<u>1,273,000</u>
Total liabilities	<u>13,593,591</u>	<u>15,479,303</u>
Net assets (Exhibit A)		
Unrestricted		
General	1,232,792	905,057
Board designated - endowment (Note 6)	<u>3,900,060</u>	<u>3,501,495</u>
Total unrestricted net assets	5,132,852	4,406,552
Temporarily restricted (Note 5)	1,404,753	2,715,465
Permanently restricted (Note 6)	<u>2,000,000</u>	<u>2,000,000</u>
Total net assets	<u>8,537,605</u>	<u>9,122,017</u>
Total liabilities and net assets	<u>\$ 22,131,196</u>	<u>\$ 24,601,320</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE CHILDREN'S HEALTH FUND

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010
 (With Summarized Financial Information
 for the Year Ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets (Exhibit A)	\$ (584,412)	\$ 633,918
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Net gain on investments	(416,602)	(790,742)
Depreciation and amortization	1,253,872	1,240,475
Change in value of beneficial interest in lead trust	(10,388)	(11,799)
Decrease (increase) in assets		
Contributions receivable	1,473,716	6,928,277
Prepaid expenses and deposits	(18,546)	(45,368)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	284,059	(506,245)
Government grant advances	148,500	(145,000)
Grants payable	(2,318,271)	(846,661)
Net cash provided (used) by operating activities	<u>(188,072)</u>	<u>6,456,855</u>
Cash flows from investing activities		
Purchase of investments	(325,119)	(2,061,023)
Proceeds from sale of investments	65,003	1,117,360
Purchase of fixed assets	(960,036)	(617,691)
Net cash used by investing activities	<u>(1,220,152)</u>	<u>(1,561,354)</u>
Cash flows from financing activities		
Proceeds from distributions from beneficial interest in lead trust	<u>40,000</u>	<u>40,000</u>
Net increase (decrease) in cash and cash equivalents	(1,368,224)	4,935,501
Cash and cash equivalents - beginning of year	<u>7,397,677</u>	<u>2,462,176</u>
Cash and cash equivalents - end of year	<u>\$ 6,029,453</u>	<u>\$ 7,397,677</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 - NATURE OF ENTITY

The Children's Health Fund (CHF) is a not-for-profit organization incorporated in New York State. The Children's Health Fund is committed to providing health care to the nation's most medically underserved children and their families through the development and support of innovative primary care medical programs, response to public health crises and the promotion of guaranteed access to appropriate health care for all children.

CHF's primary sources of revenue are contributions and grants.

CHF is a charitable organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - CHF considers all highly liquid financial instruments with maturities when acquired of three months or less at the date of purchase to be cash equivalents.

Investments - Investments are carried at fair value. CHF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based upon the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for doubtful accounts - CHF has determined that no allowance for uncollectible accounts for contributions is necessary as of December 31, 2010. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions, subsequent receipts and historical information.

Beneficial interest - The beneficial interest in lead trust is recorded at CHF's share of fair market value of the underlying asset.

Prepaid expenses - Payments made to vendors for contracts that cover future periods are recorded as prepaid expenses.

Donated artworks - Donated artworks are recorded at appraised value when received.

Fixed assets - Fixed assets are recorded at cost. Items with a cost of \$500 and an estimated useful life of greater than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the remaining lease terms.

Government grant advances - Payments from government agencies not yet earned are reflected on the statement of financial position as government grant advances.

Unrestricted net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors.

Temporarily and permanently restricted net assets - Temporarily restricted net assets are those whose use by CHF has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by CHF in perpetuity.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated 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 as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rent expense - CHF leases space at various locations. All leases are operating leases. Rent expense is recognized on the first day of each month for the current month's rent. All leases are reflected on the straight-line basis. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Functional allocation of expenses - The costs of providing services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Summarized financial information for 2009 - The financial statements include certain prior-year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Fair Value Measurements

Accounting Standards Codification (ASC) Section 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CHF has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

- *Money market funds* - Valued at the closing price reported on the active market on which the individual securities are traded.
- *Certificates of deposit* - Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.
- *Mutual funds* - Valued at the net asset value ("NAV") of shares held at year end.
- *Corporate stocks* - Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CHF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The assets at fair value as of December 31, 2010 are set forth by level within the fair value hierarchy in Note 3.

Uncertainty in income taxes - CHF has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2007 and subsequent remain subject to examination by applicable taxing authorities.

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events - In accordance with generally accepted accounting principles (ASC Topic 855), subsequent events (after December 31, 2010) have been evaluated through May 4, 2011, which is the date the financial statements were available to be issued. Any such subsequent events have been accounted for or disclosed, as appropriate, in the accompanying financial statements.

NOTE 3 - INVESTMENTS

Investments consist of:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market	\$ 247,413		\$ 247,413
Certificates of deposit		\$ 235,000	235,000
Corporate stocks	22,120		22,120
Mutual funds			
Bond fund	612,518		612,518
U.S. Treasury fund	23,294		23,294
TIFF multi-asset fund	<u>5,117,081</u>		<u>5,117,081</u>
	<u>\$ 6,022,426</u>	<u>\$ 235,000</u>	<u>\$ 6,257,426</u>

Investments by fund are as follows:

General fund	\$ 357,366
Board designated endowment	3,900,060
Permanently restricted endowment	<u>2,000,000</u>
	<u>\$ 6,257,426</u>

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4 - FIXED ASSETS

		<u>Estimated Useful Lives</u>
Mobile medical units	\$ 4,574,919	7 years
Modular homes	100,566	10 years
Computers and equipment	2,035,635	3-5 years
Furniture	91,481	5 years
Leasehold improvements	<u>3,158,034</u>	3-5 years
	9,960,635	
Accumulated depreciation and amortization	<u>(6,104,676)</u>	
	<u>\$ 3,855,959</u>	

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose:

New York programs	\$ <u>1,404,753</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished	
New York programs	\$ 2,766,377
National programs	<u>5,794,026</u>
	<u>\$ 8,560,403</u>

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 6 - PERMANENTLY RESTRICTED NET ASSETS

General

Permanently restricted net assets of \$2,000,000 are for investment in perpetuity, the income from which is expendable to support any activity of CHF. As required by accounting principles generally accepted in the United States of America, net assets associated with permanently restricted funds are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of CHF has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CHF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any interest, dividends, rents, royalties or other revenue generated by donor-restricted endowment funds is used by the organization in a manner consistent with the standard of prudence required by law.

Effective September 17, 2010, New York State modified its laws governing the management and investment of charitable gifts by adopting the Uniform Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. CHF is now governed by the NYPMIFA spending policy, which establishes a maximum spending limit of 7%.

Return Objectives, Strategies Employed and Spending Policy

The objective is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk securities. Interest earned in relation to the endowment funds is recorded as unrestricted income.

Funds with Deficiencies

CHF does not have any funds with deficiencies.

Endowment Net Asset Composition by Type of Fund as of December 31, 2010

Endowment net asset consists of \$2,000,000 of permanently donor-restricted funds and \$3,900,060 of board-designated endowment.

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 6 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2010

	Board Designated Endowment	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 3,501,495	\$ 2,000,000	\$ 5,501,495
Appropriation for expenditure	(300,000)		(300,000)
Investment income	<u>698,565</u>		<u>698,565</u>
Endowment net assets, end of year	<u>\$ 3,900,060</u>	<u>\$ 2,000,000</u>	<u>\$ 5,900,060</u>

NOTE 7 - CONTRIBUTIONS RECEIVABLE

All contributions receivable have been recorded at present value using a discount rate of 5%. The receivables are due as follows:

2011	\$ 5,156,398
2012	350,000
2013	<u>50,000</u>
	5,556,398
Less discount to present value	<u>(21,315)</u>
Present value of contributions receivable	<u>\$ 5,535,083</u>

NOTE 8 - GRANTS PAYABLE

All grants payable have been recorded at present value using a discount rate of 5%. The payables are due as follows:

2011	\$ 12,607,628
2012	<u>210,000</u>
	12,817,628
Less discount to present value	<u>(10,000)</u>
Present value of grants payable	<u>\$ 12,807,628</u>

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 9 - LEASE COMMITMENT

CHF is a sublessee of Columbia University for office space at 125th Street in New York. The lease expired May 31, 2010. The lease was renewed for another four years, with an option to renew for another four years. Rental costs for the next four years are as follows:

2011	\$ 251,079
2012	257,985
2013	265,085
2014	134,652

Additionally, CHF is a lessee with Slane Properties, LLC for space in the Bronx, N.Y. that is utilized by the New York program that is affiliated with Montefiore Medical Center. The lease expires on September 30, 2019. Rental costs for the next nine years are as follows:

2011	\$ 354,210
2012	354,210
2013	354,210
2014	354,210
2015	354,210
Thereafter	1,328,287

Rent expense for the year was \$348,228.

NOTE 10 - PENSION

CHF has a defined contribution pension plan. The pension plan consists of a group 403(b) tax-sheltered annuity plan. All employees at least 21 years of age working over 1,000 hours per year are qualified to participate in this plan after one year of service. The employer contributes 5% of employees' gross salaries (exclusive of bonuses) to the plan. Employees may contribute up to 25% of gross salary or \$15,500, whichever is lower, to the 403(b) plan. Benefits are vested 40% after one year of employment, and 100% after two years of employment for the employer's portion of the contribution. Nonvested employer discretionary contributions which are forfeited as a result of the termination of an active employee are used to reduce future employer contributions. Pension expense was \$169,238 for 2010.

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THE CHILDREN'S HEALTH FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11 - CONCENTRATIONS

Financial instruments which potentially subject CHF to a concentration of credit risk are cash accounts with a financial institution in excess of FDIC insurance limits.

NOTE 12 - RELATED-PARTY TRANSACTIONS

CHF retains a public relations and marketing firm, of which a member of the CHF Board of Directors serves as the firm's President. In 2010, CHF made payments of \$37,305 to the firm.

NOTE 13 - BENEFICIAL INTEREST IN LEAD TRUST

CHF is the beneficiary of a charitable lead annuity trust. Pursuant to the terms of the agreement, CHF is to receive \$40,000 annually through 2016 and \$6,667 in 2017. This is based on an annuity amount equal to 4% of the initial fair market value of the trust assets as of the date of the annuity trust agreement. Any payment in satisfaction of the annuity amount shall be from income and, to the extent that income is not sufficient, from principal. Any income of the trust for a taxable year in excess of the annuity amount shall be added to principal. The present value of these cash flows discounted at 5% is \$218,154.

NOTE 14 - DONATED SERVICES

During 2009, the CHF received donated televised public service announcements (PSAs). The donor assessed the fair value of the PSA program at \$394,994, which has been reported as revenue and expense in the accompanying statement of activities.