The Children's Health Fund

Independent Auditor's Report and Financial Statements

December 31, 2018

BKD
CPAs & Advisors

The Children’s Health Fund
December 31, 2018

Contents

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Independent Auditor's Report

Board of Directors
The Children's Health Fund
New York, New York

We have audited the accompanying financial statements of The Children's Health Fund, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from 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 Children's Health Fund as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 14* to the financial statements, in 2018, The Children's Health Fund adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors and Summarized Comparative Information

The 2017 financial statements were audited by other auditors, and their report thereon, dated June 7, 2018, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

New York, New York
September 26, 2019

The Children's Health Fund

Statement of Financial Position

December 31, 2018

(With Summarized Financial Information for December 31, 2017)

	2018	2017
Assets		
Cash	$ 671,003	$ 702,957
Investments	3,307,873	3,672,567
Government grants receivable, net of allowance 2018 - $37,500, 2017 - $0	529,688	603,899
Contributions receivable	4,033,681	4,419,257
Prepaid expenses and deposits	372,580	238,536
Property and equipment, net	1,134,802	1,128,918
Total assets	$ 10,049,627	$ 10,766,134
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 274,986	$ 450,381
Grants payable	3,873,930	3,559,052
Total liabilities	4,148,916	4,009,433
Net Assets		
Without donor restrictions	897,116	2,362,624
With donor restrictions		
Perpetual in nature	2,000,000	2,000,000
Purpose restrictions	1,403,595	2,394,077
Time-restricted for future periods	1,600,000	-
Total net assets with donor restrictions	5,003,595	4,394,077
Total net assets	5,900,711	6,756,701
Total liabilities and net assets	$ 10,049,627	$ 10,766,134

The Children's Health Fund

Statement of Activities

Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

		Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenues, Gains (Losses) and Other Support					
Contributions and grants		$ 6,015,558	$ 3,824,624	$ 9,840,182	$ 10,883,627
Government grants		750,000	-	750,000	780,564
Special events revenues	$ 924,700				
Costs of direct benefits to donors	(273,077)				
Net special events revenues		651,623	-	651,623	1,098,345
Investment return, net		(158,764)	(216,436)	(375,200)	597,256
Consulting fees		132,000	-	132,000	44,050
Net assets released from restrictions					
Satisfaction of program restrictions		2,998,670	(2,998,670)	-	-
Total revenues, gains (losses) and other support		10,389,087	609,518	10,998,605	13,403,842
Expenses					
Program services					
Children's health care					
New York program		2,401,343	-	2,401,343	1,604,753
Public health and crisis response		884,026	-	884,026	700,798
National programs		4,368,424	-	4,368,424	6,493,016
Education		1,423,440	-	1,423,440	1,341,543
Total program services		9,077,233	-	9,077,233	10,140,110

The Children's Health Fund

Statement of Activities (Continued)

Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Supporting services				
Management and general	$ 1,517,513	$ -	$ 1,517,513	$ 1,329,611
Fund raising	1,259,849	-	1,259,849	1,290,007
Total supporting services	2,777,362	-	2,777,362	2,619,618
Total expenses	11,854,595	-	11,854,595	12,759,728
Change in Net Assets	(1,465,508)	609,518	(855,990)	644,114
Net Assets, Beginning of Year	2,362,624	4,394,077	6,756,701	6,112,587
Net Assets, End of Year	$ 897,116	$ 5,003,595	$ 5,900,711	$ 6,756,701

The Children's Health Fund

Statement of Functional Expenses

Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	Program Services - Children's Health Care					Supporting Services				Total	
	New York Program	Public Health and Crisis Response	National Programs	Education	Total	Management and General	Fund Raising	Special Events	Total	2018	2017
Salaries	$ 178,132	$ 124,647	$ 1,622,366	$ 653,221	$ 2,578,366	$ 688,545	$ 700,823	$ -	$ 1,389,368	$ 3,967,734	$ 3,902,619
Payroll taxes and employee benefits	43,179	32,396	368,143	201,429	645,147	225,731	204,330	-	430,061	1,075,208	1,029,110
Total salaries and related expenses	221,311	157,043	1,990,509	854,650	3,223,513	914,276	905,153	-	1,819,429	5,042,942	4,931,729
Contributions and grants	2,072,971	669,774	974,700	-	3,717,445	-	-	-	-	3,717,445	5,058,452
Professional fees	11,120	8,919	407,478	165,650	593,167	29,358	40,921	-	70,279	663,446	789,268
Rent	24,554	2,119	177,097	87,277	291,047	79,884	84,607	-	164,491	455,538	374,010
Travel and conferences	10,280	15,513	193,348	162,827	381,968	8,112	14,623	-	22,735	404,703	341,122
Office supplies and expenses	9,243	19,176	157,157	49,100	234,676	142,455	68,371	-	210,826	445,502	309,542
Dues and subscriptions	596	1,237	10,395	8,077	20,305	6,643	34,056	-	40,699	61,004	52,387
Postage and shipping	280	506	9,085	3,227	13,098	3,326	7,873	-	11,199	24,297	66,325
Printing, advertising and website	8,606	2,680	51,034	58,211	120,531	21,485	85,591	-	107,076	227,607	192,167
Maintenance and lease of equipment	3,697	3,431	44,019	22,208	73,355	27,624	4,023	-	31,647	105,002	85,000
Insurance	3,688	3,628	39,479	12,213	59,008	18,258	14,631	-	32,889	91,897	99,069
Venue, catering and entertainment	-	-	-	-	-	-	-	273,077	273,077	273,077	440,155
Depreciation and amortization	34,997	-	314,123	-	349,120	13,048	-	-	13,048	362,168	363,861
Bad debt	-	-	-	-	-	237,842	-	-	237,842	237,842	65,834
Interest	-	-	-	-	-	15,202	-	-	15,202	15,202	30,962
Total expenses	2,401,343	884,026	4,368,424	1,423,440	9,077,233	1,517,513	1,259,849	273,077	3,050,439	12,127,672	13,199,883
Less costs of direct benefits to donors	-	-	-	-	-	-	-	(273,077)	(273,077)	(273,077)	(440,155)
Total expenses reported by function on the statement of activities	$ 2,401,343	$ 884,026	$ 4,368,424	$ 1,423,440	$ 9,077,233	$ 1,517,513	$ 1,259,849	$ -	$ 2,777,362	$ 11,854,595	$ 12,759,728

The Children's Health Fund

Statement of Cash Flows

Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)

	2018	2017
Operating Activities		
Change in net assets	$ (855,990)	$ 644,114
Items not requiring (providing) operating cash flows		
Net loss (gain) on investments	632,966	(120,274)
Depreciation and amortization	362,168	363,861
Changes in		
Government grants receivable	74,211	(58,656)
Contributions receivable	385,576	513,956
Prepaid expenses and deposits	(134,044)	(81)
Accounts payable and accrued expenses	(175,395)	(178,173)
Grants payable	314,878	(2,603,835)
Net cash provided by (used in) operating activities	604,370	(1,439,088)
Investing Activities		
Purchase of investments	(268,272)	(1,803,111)
Proceeds from sale of investments	-	2,397,337
Purchase of property and equipment	(368,052)	(11,738)
Net cash provided by (used in) investing activities	(636,324)	582,488
Financing Activities		
Proceeds from beneficial interest in lead trust	-	6,350
Principal payments on line of credit	(3,112,515)	(1,086,510)
Proceeds from line of credit	3,112,515	1,086,510
Net cash provided by financing activities	-	6,350
Net Change in Cash	(31,954)	(850,250)
Cash, Beginning of Year	702,957	1,553,207
Cash, End of Year	$ 671,003	$ 702,957
Supplemental Cash Flows Information		
Cash paid during the year for interest	$ 15,202	$ 30,962

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Children's Health Fund (the Organization) 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. The Organization's primary sources of revenue are contributions and grants.

Summarized Financial 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 Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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 and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

At December 31, 2018, the Organization's cash accounts exceeded federally insured limits by approximately $1,935,000.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value are carried at fair value. Investments in alternative investments are recorded at net asset value (NAV), as a practical expedient.

Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment acquisitions are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Mobile medical units	10 years
Computers and equipment	3 - 5 years
Furniture	5 years
Leasehold improvements	3 - 5 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on a future or uncertain event	Not recognized until the gift becomes unconditional, *i.e.*, the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on salaries and other methods.

Consulting Fees

The Organization receives consulting fees for program-related guidance provided to non-profit organizations. Revenue is recognized when earned based on signed agreements.

Contributions and Grant Expenses

Contributions and grant expenses are recorded at the time they are approved by the Board of Directors. The grants are recorded as current or long-term based on the required payment schedule. Grants due in more than one year are discounted using risk-adjusted rates.

Rent Expense

The Organization leases space at various locations. All leases are operating leases and are reflected on the straight-line basis. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

Reclassifications

Certain reclassifications to contribution revenues have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Investments and Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

		Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV[(A)]
December 31, 2018					
Investments					
Mutual funds					
Money market fund	$ 10,977	$ 10,977	$ -	$ -	$ -
U.S. Treasury securities	23,111	23,111	-	-	-
Alternative investments					
TIFF multi-asset fund	3,273,785	-	-	-	3,273,785
Total investments	$ 3,307,873	$ 34,088	$ -	$ -	$ 3,273,785

		Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV[(A)]
December 31, 2017					
Investments					
Mutual funds					
Money market fund	$ 1,390	$ 1,390	$ -	$ -	$ -
U.S. Treasury securities	22,842	22,842	-	-	-
Alternative investments					
TIFF multi-asset fund	3,648,335	-	-	-	3,648,335
Total investments	$ 3,672,567	$ 24,232	$ -	$ -	$ 3,648,335

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

Mutual funds: Valued at the net asset value (NAV) of shares held at year end.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
TIFF Multi-Asset Fund (A)	$ 3,273,785	-	Daily	None

	2017			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period Notice
TIFF Multi-Asset Fund (A)	$ 3,648,335	-	Daily	None

(A) *TIFF Multi-Asset Fund:* The TIFF Multi-Asset Fund is an investment vehicle under the TIFF Investment Program, Inc. (TIP). TIP is a no-load, open-end management investment company that seeks to improve the net investment returns of its members. The Multi-Asset Fund is available primarily to foundations, endowments, other 501(c)(3) organizations, and certain other non-profit organizations that meet TIP's eligibility requirements. The fund's investment objective is to attain a growing stream of current income and appreciation of principal that at least offset inflation.

Note 3: Contributions Receivable

Contributions receivable have been recorded at present value using a discount rate of 4.25%. The receivables consisted of the following:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 1,754,049	$ 1,450,000	$ 3,204,049
Due within one to five years	-	875,000	875,000
	1,754,049	2,325,000	4,079,049
Less			
Unamortized discount	-	(45,368)	(45,368)
	$ 1,754,049	$ 2,279,632	$ 4,033,681

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	$ 3,603,057	$ -	$ 3,603,057
Due within one to five years	656,311	225,000	881,311
	4,259,368	225,000	4,484,368
Less			
Unamortized discount	(47,140)	(17,971)	(65,111)
	$ 4,212,228	$ 207,029	$ 4,419,257

Note 4: Property and Equipment

Property and equipment at December 31, 2018 and 2017 consists of:

	2018	2017
Mobile medical units	$ 5,308,822	$ 4,949,322
Computers and equipment	598,018	591,508
Furniture	44,117	42,075
Leasehold improvements	2,393,926	2,393,926
	8,344,883	7,976,831
Less accumulated depreciation and amortization	(7,210,081)	(6,847,913)
	$ 1,134,802	$ 1,128,918

Note 5: Line of Credit

The Organization has a $1,000,000 working capital line of credit available from Citibank, N.A. that is collateralized by the assets of the Organization. Interest is computed at the prime rate, which was 5.5% and 4.5% at December 31, 2018 and 2017, respectively. The line of credit does not have a set expiration date. There was no balance outstanding as of December 31, 2018 and 2017. Interest expense for the years ended December 31, 2018 and 2017 was $15,202 and $30,962, respectively.

Note 6: Grants Payable

Grants payable have been recorded at present value using a discount rate of 4.25%. The payables consisted of the following:

	2018	2017
Due within one year	$ 3,649,853	$ 2,949,939
Due within one to five years	233,600	635,000
	3,883,453	3,584,939
Less		
Unamortized discount	(9,523)	(25,887)
	$ 3,873,930	$ 3,559,052

Note 7: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	2018	2017
Subject to expenditure for specified purpose		
New York programs	$ 928,660	$ 1,902,706
Promises to give, the proceeds from which have been restricted by donors for		
New York programs	425,000	225,000
	1,353,660	2,127,706
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	1,600,000	-
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for general use	49,935	266,371
Subject to NFP endowment spending policy and appropriation		
General use	2,000,000	2,000,000
Total endowments	2,049,935	2,266,371
	$ 5,003,595	$ 4,394,077

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2018	2017
Satisfaction of purpose restrictions		
New York programs	$ 2,366,346	$ 1,570,139
National programs	475,000	2,957,048
Crisis response	157,324	551,229
	2,998,670	5,078,416
Restricted purpose spending-rate distributions and appropriations		
General use	-	60,000
	$ 2,998,670	$ 5,138,416

Note 8: Endowment

The Organization's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, the Organization classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures.

Additionally, in accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the organization
7. Investment policies of the organization

The Organization's endowment consists of one fund in the amount of $2,000,000 which is restricted to investment in perpetuity, the income from which is expendable to support any activity of the Organization. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2018 and 2017, was:

	2018		
	Endowment Earnings - With Donor Restrictions	Endowment - With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 2,000,000	$ 2,000,000
Accumulated investment gains	49,935	-	49,935
Total endowment funds	$ 49,935	$ 2,000,000	$ 2,049,935

	2017		
	Endowment Earnings - With Donor Restrictions	Endowment - With Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 2,000,000	$ 2,000,000
Accumulated investment gains	266,371	-	266,371
Total endowment funds	$ 266,371	$ 2,000,000	$ 2,266,371

Change in endowment net assets for the years ended December 31, 2018 and 2017 were:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 266,371	$ 2,000,000	$ 2,266,371
Investment return, net	(216,436)	-	(216,436)
Appropriation of endowment assets for expenditures	-	-	-
Endowment net assets, end of year	$ 49,935	$ 2,000,000	$ 2,049,935

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 23,819	$ 2,000,000	$ 2,023,819
Investment return, net	302,552	-	302,552
Appropriation of endowment assets for expenditures	(60,000)	-	(60,000)
Endowment net assets, end of year	$ 266,371	$ 2,000,000	$ 2,266,371

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods. Under the Organization's policies, endowment assets are invested in low-risk securities. The Organization expects its endowment funds to provide an average rate of return of approximately 3-5 percent annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization invests in low risk securities in order to achieve its long-term return objectives within prudent risk constraints.

The Organization has a spending policy of appropriating for expenditure each year 3 percent of its endowment fund's average fair value over the prior five years. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 2 percent annually. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. During 2018, the Organization did not make any appropriations from its endowment fund.

Underwater Endowments

The Organization does not have any underwater endowments.

Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Total financial assets	$	8,542,245
Donor imposed restrictions		
Restricted funds		(2,953,660)
Endowments		(2,049,935)
Financial assets available to meet cash needs for general expenditures within one year	$	3,538,650

The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of $1,000,000, which it could draw upon.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet 90 to 180 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves quarterly. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements.

Note 10: Operating Leases

The Organization leases office space at 125th Street in New York. The lease expires on May 31, 2020. In addition, other entities sublease space from the Organization under agreements which expire on May 31, 2020. Rent expense for the years ended December 31, 2018 and 2017 was $455,538 and $374,010, respectively.

The minimum annual rental commitments and sublease revenue under leases and subleases in effect as of December 31, 2018 are as follows:

	Commitments	Sublease Revenue	Net Lease Commitments
2019	$ 828,225	$ (305,820)	$ 522,405
2020	348,637	(127,425)	221,212
	$ 1,176,862	$ (433,245)	$ 743,617

Note 11: Pension

The Organization has a 403(b) defined contribution pension 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 to the plan. Pension expense for the years ended December 31, 2018 and 2017 was $136,054 and $146,904, respectively.

Note 12: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 64% and 72% of contributions were received from five donors in 2018 and 2017, respectively. Approximately 67% and 73% of contributions receivable were from five donors in 2018 and 2017, respectively.

Investments

The Organization 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 certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Note 13: Subsequent Events

Subsequent events have been evaluated through September 26, 2019, which is the date the financial statements were available to be issued.

Note 14: Change in Accounting Principle

In 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had no impact on previously reported total change in net assets.

Note 15: Future Changes in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018 for nonpublic entities. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Grants and Contributions

FASB released ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* to clarify existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is non-exchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. The standard will be effective for reporting periods beginning on or after December 15, 2018. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is evaluating the impact the standard will have on the financial statements.