

The Children's Health Fund

Independent Auditor's Report and Financial Statements

December 31, 2019 and 2018



The Children's Health Fund

December 31, 2019 and 2018

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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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 2* to the financial statements, in 2019, The Children's Health Fund adopted ASC 606, *Revenue from Contracts with Customers* (Topic 606), and ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

BKD, LLP

New York, New York
October 29, 2020

The Children's Health Fund
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 438,046	\$ 671,003
Investments	2,650,438	3,307,873
Government grants receivable, net of allowance 2019 - \$37,500, 2018 - \$37,500	529,688	529,688
Contributions receivable	4,821,294	4,033,681
Prepaid expenses and deposits	242,310	372,580
Property and equipment, net	830,023	1,134,802
Total assets	\$ 9,511,799	\$ 10,049,627
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 314,054	\$ 274,986
Grants payable	3,512,635	3,873,930
Total liabilities	3,826,689	4,148,916
 Net Assets		
Without donor restrictions	848,499	897,116
With donor restrictions		
Perpetual in nature	2,000,000	2,000,000
Purpose restrictions	1,136,611	1,403,595
Time-restricted for future periods	1,700,000	1,600,000
Total net assets with donor restrictions	4,836,611	5,003,595
Total net assets	5,685,110	5,900,711
Total liabilities and net assets	\$ 9,511,799	\$ 10,049,627

The Children's Health Fund
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses) and Other Support			
Contributions and grants (includes \$401,170 of in-kind contributions)	\$ 5,806,001	\$ 4,139,507	\$ 9,945,508
Government grants	750,000	-	750,000
Special events revenue	\$ 935,030		
Costs of direct benefits to donors	<u>(224,033)</u>		
Net special events revenue	710,997	-	710,997
Investment return	169,272	352,379	521,651
Foreign exchange loss	(34,336)	-	(34,336)
Consulting fees	10,000	-	10,000
Miscellaneous revenue	48,172	-	48,172
Net assets released from restrictions	<u>4,658,870</u>	<u>(4,658,870)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>12,118,976</u>	<u>(166,984)</u>	<u>11,951,992</u>
Expenses			
Program services			
Children's health care			
New York program	1,976,327	-	1,976,327
Public health and crisis response	181,142	-	181,142
National programs	5,872,176	-	5,872,176
Education	<u>1,499,307</u>	<u>-</u>	<u>1,499,307</u>
Total program services	<u>9,528,952</u>	<u>-</u>	<u>9,528,952</u>
Supporting services			
Management and general	1,398,994	-	1,398,994
Fundraising	<u>1,239,647</u>	<u>-</u>	<u>1,239,647</u>
Total supporting services	<u>2,638,641</u>	<u>-</u>	<u>2,638,641</u>
Total expenses	<u>12,167,593</u>	<u>-</u>	<u>12,167,593</u>
Change in Net Assets	(48,617)	(166,984)	(215,601)
Net Assets, Beginning of Year	<u>897,116</u>	<u>5,003,595</u>	<u>5,900,711</u>
Net Assets, End of Year	<u>\$ 848,499</u>	<u>\$ 4,836,611</u>	<u>\$ 5,685,110</u>

The Children's Health Fund
Statements of Activities (Continued)
Years Ended December 31, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains (Losses) and Other Support			
Contributions and grants	\$ 6,015,558	\$ 3,824,624	\$ 9,840,182
Government grants	750,000	-	750,000
Special events revenue	\$ 924,700		
Costs of direct benefits to donors	<u>(273,077)</u>		
Net special events revenue	651,623	-	651,623
Investment return	(158,764)	(216,436)	(375,200)
Consulting fees	132,000	-	132,000
Satisfaction of program restrictions	<u>2,998,670</u>	<u>(2,998,670)</u>	<u>-</u>
Total revenues, gains (losses) and other support	<u>10,389,087</u>	<u>609,518</u>	<u>10,998,605</u>
Expenses			
Program services			
Children's health care			
New York program	2,401,343	-	2,401,343
Public health and crisis response	884,026	-	884,026
National programs	4,368,424	-	4,368,424
Education	<u>1,423,440</u>	<u>-</u>	<u>1,423,440</u>
Total program services	<u>9,077,233</u>	<u>-</u>	<u>9,077,233</u>
Supporting services			
Management and general	1,517,513	-	1,517,513
Fundraising	<u>1,259,849</u>	<u>-</u>	<u>1,259,849</u>
Total supporting services	<u>2,777,362</u>	<u>-</u>	<u>2,777,362</u>
Total expenses	<u>11,854,595</u>	<u>-</u>	<u>11,854,595</u>
Change in Net Assets	(1,465,508)	609,518	(855,990)
Net Assets, Beginning of Year	<u>2,362,624</u>	<u>4,394,077</u>	<u>6,756,701</u>
Net Assets, End of Year	<u>\$ 897,116</u>	<u>\$ 5,003,595</u>	<u>\$ 5,900,711</u>

The Children's Health Fund
Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019									
	Program Services - Children's Health Care					Supporting Services				
	New York Program	Public Health and Crisis Response	National Programs	Education	Total	Management and General	Fundraising	Special Events	Total	Total
Salaries	\$ 146,557	\$ 109,071	\$ 1,798,757	\$ 732,531	\$ 2,786,916	\$ 719,345	\$ 592,726	\$ -	\$ 1,312,071	\$ 4,098,987
Payroll taxes and employee benefits	57,056	25,833	469,345	205,500	757,734	251,958	214,988	-	466,946	1,224,680
Total salaries and related expenses	203,613	134,904	2,268,102	938,031	3,544,650	971,303	807,714	-	1,779,017	5,323,667
Contributions and grants	1,520,275	1,124	2,326,776	-	3,848,175	-	-	-	-	3,848,175
Professional fees	57,751	3,886	347,828	240,022	649,487	76,567	81,506	-	158,073	807,560
Rent	14,091	12,112	241,880	89,017	357,100	112,070	89,465	-	201,535	558,635
Travel and conferences	13,196	9,062	215,556	138,750	376,564	26,743	31,603	-	58,346	434,910
Office supplies and expenses	38,041	8,521	107,038	41,253	194,853	75,461	100,156	-	175,617	370,470
Dues and subscriptions	956	617	5,043	4,098	10,714	2,957	18,656	-	21,613	32,327
Postage and shipping	329	893	3,884	2,560	7,666	2,109	7,164	-	9,273	16,939
Printing, advertising and website	571	310	37,248	29,951	68,080	5,176	85,028	-	90,204	158,284
Maintenance and lease of equipment	98,643	8,687	38,858	9,504	155,692	43,267	10,546	-	53,813	209,505
Insurance	1,197	1,026	20,792	6,121	29,136	51,953	7,809	-	59,762	88,898
Venue, catering and entertainment	-	-	-	-	-	-	-	224,033	224,033	224,033
Depreciation and amortization	27,664	-	259,171	-	286,835	15,457	-	-	15,457	302,292
Interest	-	-	-	-	-	15,931	-	-	15,931	15,931
Total expenses	1,976,327	181,142	5,872,176	1,499,307	9,528,952	1,398,994	1,239,647	224,033	2,862,674	12,391,626
Less costs of direct benefits to donors	-	-	-	-	-	-	-	(224,033)	(224,033)	(224,033)
Total expenses reported by function on the statements of activities	<u>\$ 1,976,327</u>	<u>\$ 181,142</u>	<u>\$ 5,872,176</u>	<u>\$ 1,499,307</u>	<u>\$ 9,528,952</u>	<u>\$ 1,398,994</u>	<u>\$ 1,239,647</u>	<u>\$ -</u>	<u>\$ 2,638,641</u>	<u>\$ 12,167,593</u>

The Children's Health Fund
Statements of Functional Expenses (Continued)
Years Ended December 31, 2019 and 2018

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

The Children's Health Fund
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (215,601)	\$ (855,990)
Items not requiring (providing) operating cash flows		
Net (gain) loss on investments	(521,272)	632,966
Depreciation and amortization	302,292	362,168
Changes in		
Government grants receivable	-	74,211
Contributions receivable	(787,613)	385,576
Prepaid expenses and deposits	130,270	(134,044)
Accounts payable and accrued expenses	39,068	(175,395)
Grants payable	(361,295)	314,878
	(1,414,151)	604,370
Investing Activities		
Purchase of investments	(11,293)	(268,272)
Proceeds from sale of investments	1,190,000	-
Refund for prior year purchase of equipment	2,487	-
Purchase of property and equipment	-	(368,052)
	1,181,194	(636,324)
Financing Activities		
Principal payments on line of credit	(2,441,596)	(3,112,515)
Proceeds from line of credit	2,441,596	3,112,515
	-	-
Net Change in Cash	(232,957)	(31,954)
Cash, Beginning of Year	671,003	702,957
Cash, End of Year	\$ 438,046	\$ 671,003
Supplemental Cash Flows Information		
Cash paid during the year for interest	\$ 15,931	\$ 15,202

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

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 Organization 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.

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, 2019, the Organization's cash accounts exceeded federally insured limits by approximately \$1,091,000.

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.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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.

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018.

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.

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

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
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
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.

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.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statements of activities.

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of supplies and marketing services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by the same amount. For the year ended December 31, 2019, \$401,170 was received in in-kind contributions. For the year ended December 31, 2018, there were no in-kind contributions.

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 statements of activities. The statements 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.

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

Note 2: Changes in Accounting Principles

Topic 606 – Revenue from Contracts with Customers

On January 1, 2019, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers* (Topic 606), using a modified retrospective method of adoption to all contracts not completed with special event attendees at January 1, 2019.

The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised services to special event attendees in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for the direct costs for the special event and consulting fees.

The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing services.

Adoption of Topic 606 did not result in changes in presentation of the financial statements or timing of revenue recognition, but it did result in additional required disclosures in the notes to the financial statements.

ASU 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

During 2019, the Organization adopted FASB Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is 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.

Adoption of the ASU did not result in changes in presentation of the financial statements but upon adoption of the ASU, the Organization has to evaluate all grants and contributions under the new criteria. This resulted in some grants now being considered conditional and not recognized within these financial statements and the grant being deferred until the condition is met. Prior to the adoption of the ASU, these grants would have been recognized upon receipt of the grant.

Note 3: Revenue from Contracts with Special Event Attendees

Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for the direct cost of the benefits received by the attendees at the events.

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over a period of time is generally recognized when goods are provided to attendees over a period of time and the Organization does not believe it is required to provide additional goods or services related to that sale.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided. For the year ended December 31, 2019, the Organization recognized revenue of \$79,680 from goods and services that transfer to the attendees over a period of time.

Note 4: Conditional Grants Receivable and Future Commitments

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2019 have been recorded as receivables. The following are the conditional grant commitments that are not recognized in the financial statements for agreements that extend beyond December 31, 2019:

Grant	Term	Grant Amount	Earned Through 2019	Funding Available
Comic Relief Red Nose Day Fund	July 2019 - June 2020	\$ 4,500,000	\$ 1,800,000	\$ 2,700,000
Elma Foundation	July 1, 2018 - June 30, 2021	3,000,000	2,000,000	1,000,000
Robin Hood Foundation	October 1, 2019 - September 30, 2020	620,000	420,000	200,000

Note 5: Disclosures About Fair Value of Assets

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

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statements 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, 2019 and 2018:

2019					
	Total Fair Value	Fair Value Measurements Using			Investments Measured at NAV (A)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments					
Mutual funds					
Money market fund	\$ 14,666	\$ 14,666	\$ -	\$ -	\$ -
U.S. Treasury securities	23,452	23,452	-	-	-
Alternative investments					
TIFF multi-asset fund	<u>2,612,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,612,320</u>
Total investments	<u>\$ 2,650,438</u>	<u>\$ 38,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,612,320</u>

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

(A) Certain investments that are measured at fair value using NAV 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 statements of financial position.

The 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 statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019.

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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 NAV per share as a practical expedient consist of the following:

	2019			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
TIFF Multi-Asset Fund (A)	\$ 2,612,320	-	Daily	None

	2018			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
TIFF Multi-Asset Fund (A)	\$ 3,273,785	-	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.

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Note 6: Contributions Receivable

Contributions receivable have been recorded at present value at discount calculated using U.S. Treasury risk-free rate. The receivables consisted of the following:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 1,620,836	\$ 1,689,039	\$ 3,309,875
Due within one to five years	-	1,530,038	1,530,038
	1,620,836	3,219,077	4,839,913
Less			
Unamortized discount	-	(18,619)	(18,619)
	<u>\$ 1,620,836</u>	<u>\$ 3,200,458</u>	<u>\$ 4,821,294</u>
	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)
	<u>\$ 1,754,049</u>	<u>\$ 2,279,632</u>	<u>\$ 4,033,681</u>

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Note 7: Property and Equipment

Property and equipment at December 31, 2019 and 2018 consists of:

	<u>2019</u>	<u>2018</u>
Mobile medical units	\$ 5,308,822	\$ 5,308,822
Computers and equipment	598,018	598,018
Furniture	41,631	44,117
Leasehold improvements	<u>2,393,925</u>	<u>2,393,926</u>
	8,342,396	8,344,883
Less accumulated depreciation and amortization	<u>(7,512,373)</u>	<u>(7,210,081)</u>
	<u>\$ 830,023</u>	<u>\$ 1,134,802</u>

Note 8: 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 4.75 percent and 5.5 percent at December 31, 2019 and 2018, respectively. The line of credit does not have a set expiration date. There was no balance outstanding as of December 31, 2019 and 2018. Interest expense for the years ended December 31, 2019 and 2018 was \$15,931 and \$15,202, respectively.

Note 9: Grants Payable

Grants payable have been recorded at present value using a discount rate of 4.25 percent in 2018. The payables consisted of the following:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 3,512,635	\$ 3,649,853
Due within two to five years	<u>-</u>	<u>233,600</u>
	3,512,635	3,883,453
Less Unamortized discount	<u>-</u>	<u>(9,523)</u>
	<u>\$ 3,512,635</u>	<u>\$ 3,873,930</u>

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Note 10: 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:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
New York programs	\$ 534,297	\$ 928,660
Promises to give, the proceeds from which have been restricted by donors for New York programs	<u>200,000</u>	<u>425,000</u>
	<u>734,297</u>	<u>1,353,660</u>
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>1,700,000</u>	<u>1,600,000</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for general use	402,314	49,935
Subject to NFP endowment spending policy and appropriation		
General use	<u>2,000,000</u>	<u>2,000,000</u>
Total endowments	<u>2,402,314</u>	<u>2,049,935</u>
	<u>\$ 4,836,611</u>	<u>\$ 5,003,595</u>

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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.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
New York programs	\$ 1,948,663	\$ 2,366,346
National programs	1,098,957	475,000
Crisis response	<u>11,250</u>	<u>157,324</u>
	3,058,870	2,998,670
Expiration of time restrictions	<u>1,600,000</u>	<u>-</u>
	<u>\$ 4,658,870</u>	<u>\$ 2,998,670</u>

Note 11: 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.

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The composition of net assets by type of endowment fund at December 31, 2019 and 2018 was:

	2019		
	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	402,314	-	402,314
Total endowment funds	<u>\$ 402,314</u>	<u>\$ 2,000,000</u>	<u>\$ 2,402,314</u>

	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	<u>\$ 49,935</u>	<u>\$ 2,000,000</u>	<u>\$ 2,049,935</u>

Change in endowment net assets for the years ended December 31, 2019 and 2018 were:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 49,935	\$ 2,000,000	\$ 2,049,935
Investment return	352,379	-	352,379
Endowment net assets, end of year	<u>\$ 402,314</u>	<u>\$ 2,000,000</u>	<u>\$ 2,402,314</u>

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 266,371	\$ 2,000,000	\$ 2,266,371
Investment return	(216,436)	-	(216,436)
Endowment net assets, end of year	<u>\$ 49,935</u>	<u>\$ 2,000,000</u>	<u>\$ 2,049,935</u>

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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 2019 and 2018, the Organization did not make any appropriations from its endowment fund.

Underwater Endowments

The Organization does not have any underwater endowments.

The Children's Health Fund

Notes to Financial Statements

December 31, 2019 and 2018

Note 12: 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, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets year-end		
Cash	\$ 438,046	\$ 671,003
Investments	2,650,438	3,307,873
Government grants receivable	529,688	529,688
Contributions receivable	<u>4,821,294</u>	<u>4,033,681</u>
Total financial assets at year-end	<u>8,439,466</u>	<u>8,542,245</u>
Donor-imposed restrictions		
Restricted funds	(2,434,297)	(2,953,660)
Endowments	<u>(2,402,314)</u>	<u>(2,049,935)</u>
Total donor-imposed restrictions	<u>(4,836,611)</u>	<u>(5,003,595)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,602,855</u>	<u>\$ 3,538,650</u>

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 years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

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Notes to Financial Statements

December 31, 2019 and 2018

Note 13: Operating Leases

The Organization leases office space at 125th Street in New York, NY. The original lease that expired on May 31, 2020, was extended until May 31, 2025. In addition, other entities sublease space from the Organization under agreements, which expired on May 31, 2020. Rent expense for the years ended December 31, 2019 and 2018 was \$558,635 and \$455,538, respectively.

The minimum annual rental commitments and sublease revenue under leases and subleases in effect as of December 31, 2019 are as follows:

	Commitments	Sublease Revenue	Net Lease Commitments
2020	\$ 730,095	\$ (130,611)	\$ 599,484
2021	653,928	-	653,928
2022	653,928	-	653,928
2023	653,928	-	653,928
2024	653,928	-	653,928
Thereafter	<u>272,470</u>	<u>-</u>	<u>272,470</u>
	<u>\$ 3,618,277</u>	<u>\$ (130,611)</u>	<u>\$ 3,487,666</u>

Note 14: 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 percent of employees' gross salaries to the plan. Pension expense for the years ended December 31, 2019 and 2018 was \$149,724 and \$136,054, respectively.

Note 15: Significant Estimates and Concentrations

GAAP require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 39 percent and 64 percent of contributions were received from five donors in 2019 and 2018, respectively. Approximately 58 percent and 67 percent of contributions receivable were from five donors in 2019 and 2018, respectively.

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Notes to Financial Statements

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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 16: Related-Party Transactions

One of the voting members of the Board of Directors received compensation for services to the Organization. The board member did not receive any compensation for serving on the Board of Directors and his position was that of Senior Advisor to the CEO. The total amount paid for salary and related benefits was \$192,962 in 2019 and 2018, each.

Additionally, the same board member is the director of a separate organization that received grants from the Organization in the amount of \$604,955 in 2019 and \$614,100 in 2018.

Note 17: Subsequent Events

Subsequent events have been evaluated through October 29, 2020, which is the date the financial statements were available to be issued.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 6, 2020, the Organization received a loan in the amount of \$855,600 pursuant to the Paycheck Protection Program. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, changes in net assets and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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Notes to Financial Statements

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Note 18: Future Changes in Accounting Principles

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 sheets as both a right-of-use asset and a liability. The standard has two types of leases for statements of operations 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, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Accounting for Financial Instruments – Credit Losses

FASB amended its standards related to the accounting for credit losses on financial instruments. This amendment introduces new guidance for accounting for credit losses on instruments, including trade receivables and finance receivables. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years. The Organization is in the process of evaluating the effect the amendment will have on the financial statements.