

# **The Children's Health Fund**

Financial Statements  
and Independent Auditors' Report  
for the year ended December 31, 2022

# The Children's Health Fund

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## Independent Auditors' Report

To the Board of Directors of  
The Children's Health Fund:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of The Children's Health Fund, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial statements of The Children's Health Fund as of December 31, 2022, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Children's Health Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matters*

As discussed in Note 2 to the financial statements, net assets as of January 1, 2022 were restated. Additionally as discussed in Note 3 to the financial statements, The Children's Health Fund has a deficit in *net assets without donor restrictions*. Our opinion is not modified with respect to these matters.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Health Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Health Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Health Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Blazek & Vetterling*

January 30, 2024

# The Children's Health Fund

Statement of Financial Position as of December 31, 2022

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## ASSETS

Cash	\$ 1,038,007
Investments (Note 5)	1,777,461
Contributions receivable (Note 3)	2,127,626
Prepaid expenses and other assets	54,791
Lease right-of-use lease assets, net (Note 8):	
Operating	594,363
Finance	23,063
Property and equipment, net (Note 6)	<u>706,402</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,321,713</u></b>

## LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 269,020
Grants payable	4,425,655
Lease liabilities (Note 8):	
Operating	595,181
Finance	<u>23,169</u>
Total liabilities	<u>5,313,025</u>
Net assets:	
Without donor restrictions	(2,064,032)
With donor restrictions (Note 7)	<u>3,072,720</u>
Total net assets	<u>1,008,688</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,321,713</u></b>

*See accompanying notes to financial statements.*

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## The Children's Health Fund

Statement of Activities for the year ended December 31, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES AND PUBLIC SUPPORT:			
Contributions	\$ 1,704,520	\$ 3,732,814	\$ 5,437,334
Net investment return	(432,759)		(432,759)
Loss on valuation of contributions receivable	<u>                    </u>	<u>(180,986)</u>	<u>(180,986)</u>
Total revenue	1,271,761	3,551,828	4,823,589
Net assets released from restrictions:			
Program expenditures	3,884,212	(3,884,212)	
Expiration of time restrictions	<u>459,014</u>	<u>(459,014)</u>	<u>                    </u>
Total	<u>5,614,987</u>	<u>(791,398)</u>	<u>4,823,589</u>
EXPENSES:			
Program services:			
National network	4,602,461		4,602,461
Education	961,958		961,958
Public health and health crisis response	<u>394,842</u>		<u>394,842</u>
Total program services	5,959,261		5,959,261
Management and general	1,121,738		1,121,738
Fundraising	<u>1,011,982</u>		<u>1,011,982</u>
Total expenses	<u>8,092,981</u>		<u>8,092,981</u>
CHANGES IN NET ASSETS	(2,477,994)	(791,398)	(3,269,392)
Net assets, beginning of year as restated ( <i>Note 2</i> )	<u>413,962</u>	<u>3,864,118</u>	<u>4,278,080</u>
Net assets, end of year	<u>\$ (2,064,032)</u>	<u>\$ 3,072,720</u>	<u>\$ 1,008,688</u>

*See accompanying notes to financial statements.*

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## The Children's Health Fund

Statement of Functional Expenses for the year ended December 31, 2022

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	NATIONAL NETWORK	EDUCATION	PUBLIC HEALTH AND HEALTH CRISIS RESPONSE	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related expenses	\$ 1,706,442	\$ 552,826	\$ 197,849	\$ 2,457,117	\$ 673,934	\$ 522,470	\$ 3,653,521
Grants	2,123,208		134,479	2,257,687			2,257,687
Professional fees	305,864	239,759	29,112	574,735	227,666	317,198	1,119,599
Depreciation and amortization	172,737	16,453	5,230	194,420	27,168	18,622	240,210
Office supplies and expenses	75,655	12,672	3,448	91,775	56,461	59,979	208,215
Rent	79,046	21,650	6,881	107,577	35,747	24,503	167,827
Maintenance and lease of equipment	46,790	12,816	4,073	63,679	26,394	14,504	104,577
Travel and conference	30,452	54,666	197	85,315	15,639	12,411	113,365
Insurance	40,850	11,188	3,556	55,594	18,473	12,662	86,729
Printing, advertising, and website	19,588	29,787	10,017	59,392	400	22,706	82,498
Interest					35,603		35,603
Other	1,829	10,141		11,970	4,253	6,927	23,150
Total expenses	<u>\$ 4,602,461</u>	<u>\$ 961,958</u>	<u>\$ 394,842</u>	<u>\$ 5,959,261</u>	<u>\$ 1,121,738</u>	<u>\$ 1,011,982</u>	<u>\$ 8,092,981</u>

See accompanying notes to financial statements.

## The Children's Health Fund

Statement of Cash Flows for the year ended December 31, 2022

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ (3,269,392)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Amortization and depreciation	240,210
Amortization of operating right-of-use asset	173,794
Loss on disposal of property and equipment	13,593
Net realized and unrealized loss on investments	440,806
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	63,328
Contributions receivable	1,368,210
Accounts payable and accrued expenses	(172,555)
Grants payable	893,957
Operating lease liability	<u>(172,976)</u>
Net cash used by operating activities	<u>(421,025)</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	600,000
Purchases of investments	<u>(18,039)</u>
Net cash provided by investing activities	<u>581,961</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on capital lease obligations	(11,462)
Borrowing under line of credit	1,656,000
Repayment of line of credit	<u>(1,656,000)</u>
Net cash used by financing activities	<u>(11,462)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS	149,474
Cash and cash equivalents, beginning of year	<u>888,533</u>
Cash and cash equivalents, end of year	<u>\$ 1,038,007</u>

### *Supplemental disclosure of cash flow information:*

Interest paid	\$35,603
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*See accompanying notes to financial statements.*

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## The Children's Health Fund

Notes to Financial Statements for the year ended December 31, 2022

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** – The Children's Health Fund (CHF) is a New York nonprofit corporation leading a national network to bring comprehensive healthcare to children growing up in under-resourced communities and advocates for the health and well-being of all children. CHF's vision is that all children receive the healthcare they deserve and need to thrive and succeed. Through the Healthy & Ready to Learn program, public health initiatives, policy and advocacy work, response to public health crises, and the work of CHF's national network partners, CHF provides support and access to comprehensive healthcare services to children living in under-resourced communities throughout the United States. CHF fulfills its mission by focusing its programs and services in the following areas:

*National network* is composed of healthcare providers who work at the community level, building trust and providing resource-intensive care that people in these communities would not otherwise receive. The national network provides comprehensive healthcare services to children living in under-resourced communities throughout the United States. Mobile clinics are used throughout the network to transport primary care, mental and behavioral health care, and dental services to where they're needed most, including schools, shelters, and community centers. Through its national network, CHF connects children and families to accessible resources for a healthy life, with a focus on health education and amplifying community voices. Together, CHF and the national network strive to create systemic change through advocacy efforts, building healthier communities for generations to come.

*Healthy and Ready to Learn* addresses health issues that impact learning in New York City. The programming addresses needs rooted in social, racial, and economic inequities by empowering school staff and families to create trauma-sensitive environments.

*Public Health Initiatives* seek to improve and protect population and community health by engaging local communities and promoting patient empowerment to improve health outcomes in under-resourced communities. The program draws upon data and insights from the national network programs to develop interventions focused on prevention, social drivers of health, health equity, and health education. These interventions inform CHF's advocacy work, and lessons learned are disseminated through online briefings and conferences.

*Public Health and Health Crisis Response* provides resources and expertise across the country in response to public health crises. In 2022, CHF continued to focus on recovery from the COVID-19 pandemic. CHF supported mobile vaccine outreach and education, testing efforts, and large-scale community vaccination events that resulted in the delivery of 47,429 COVID-19 vaccines.

**Federal income tax status** – CHF is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

**Cash** – Bank deposits exceed the federally insured limit per depositor per institution.

**Contributions receivable** that are due within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years, if material, are discounted to estimate the present value of the expected future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. An allowance for contributions receivable is provided when it is believed that the balance may not be collected in full based on historical experience and analysis. At June 30, 2022, 60% of contributions receivable are due from two donors. At June 30, 2023, all contributions receivable are due to be collected within one year.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Expenditures less than \$500 and a useful life of less than one year are expensed when incurred. CHF computes depreciation using the straight-line method based upon estimated useful lives of 3 to 5 years for furniture and equipment, 10 years for mobile medical units, and the lesser of the lease term or 10 years for leasehold improvements.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before CHF is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions are met is reported as refundable advances.

Grants are recognized as expense at fair value when CHF approves an unconditional commitment to a grant recipient. Commitments made, but not yet funded are reported as grants payable and are discounted to estimate the present value of future cash flows using a risk-free rate-of-return, if material. Conditional grants are subject to one or more barriers that must be overcome before the recipient is entitled to receive or retain funding. Conditional grants are recognized in the same manner when the conditions are met by the recipient. At December 31, 2022, all grants payable are due within one year.

Advertising costs are expensed as incurred and total \$34,221 for the year ended December 31, 2022.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation is allocated based on usage of related facilities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Standard adoption – CHF adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. The ASU also requires expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. CHF adopted the new standard effective January 1, 2022 using the modified retrospective method. There was no effect on beginning net assets for the year ended December 31, 2021.

## NOTE 2 – RESTATEMENT OF BEGINNING NET ASSETS

During 2022, CHF recorded adjustments to restate net assets as of January 1, 2022. The effect of the restatement on previously reported net assets is as follows:

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
Net assets, as previously reported	\$ 2,527,065	\$ 1,044,126	\$ 3,571,191
Reclassify donor restricted contributions	(2,082,992)	2,082,992	
Contributions receivable		737,000	737,000
Amortization of leasehold improvements	<u>(30,111)</u>	<u>                    </u>	<u>(30,111)</u>
Net assets, beginning of year, as restated	<u>\$ 413,962</u>	<u>\$ 3,864,118</u>	<u>\$ 4,278,080</u>

## NOTE 3 – NET ASSET DEFICIT

CHF has experienced declining contributions in recent years and excesses of expenses over revenues, resulting in a deficit in net assets with donor restrictions of \$2,064,032 on December 31, 2022. Grant commitments due within one year exceed available resources at December 31, 2022. Management is actively pursuing new donors to increase revenues and diversify funding, is negotiating payment terms with grantees, without penalty or interest, and has reduced overhead expenses. Management believes these factors will contribute towards achieving profitability.

During 2021, CHF qualified and applied for a \$899,865 in Employee Retention Credit (ERC) grant through the Internal Revenue Service (IRS). The amount receivable as of December 31, 2022, is \$527,626 and is included in contributions receivable in the statement of financial position. In 2023, the IRS issued a moratorium on new ERC processing and longer processing for existing claims due to stricter compliance reviews.

## NOTE 4 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31, 2022 comprise the following:

Financial assets:		
Cash		\$ 1,038,007
Investments		1,777,461
Contributions receivable		<u>2,127,626</u>
Total financial assets		4,943,094
Less financial assets not available for general expenditure:		
Purpose and time-restricted net assets not expected to be satisfied in the coming year		<u>(504,217)</u>
Financial assets available for general expenditure		<u>\$ 4,438,877</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CHF considers all expenditures related to its ongoing activities of bringing comprehensive healthcare to children growing up in under-resourced communities and advocating for the health and well-being of all children, as well as the conduct of services undertaken to support those activities, to be general expenditures. CHF expects to fund general expenditures in excess of financial assets available to meet cash needs with future contributions.

To manage unanticipated liquidity needs, CHF maintains a \$1,000,000 operating line of credit with a bank. The line of credit bears interest at the lending banks prime rate, 7.5% at December 31, 2022. This line of credit is available until cancelled by the bank. At December 31, 2022, there were no amounts outstanding under the line of credit.

## NOTE 5 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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.

Assets measured at fair value using Level 1 inputs at December 31, 2022 are as follows:

Investments:

TIFF Multi-Asset Mutual Fund	\$ 1,764,631
Exchange-traded funds	<u>12,830</u>
Total assets measured at fair value	<u>\$ 1,777,461</u>

Valuation methods used for assets measured at fair value are as follows:

- TIFF Multi-Asset Mutual Fund is exempt from registration and is valued at net asset value (NAV), which is observable, calculated daily, and is the value at which both purchases and sales are conducted.
- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Health Fund believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

## NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 consists of the following:

Automobiles	\$ 3,619,436
Leasehold improvements	488,459
Furniture, fixtures and equipment	<u>85,272</u>
Total property and equipment, at cost	4,193,167
Accumulated depreciation	<u>(3,486,765)</u>
Property and equipment, net	<u>\$ 706,402</u>

## NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 are restricted as follows:

Subject to expenditure for specified purpose:

National network	\$ 1,611,345
Healthy & Ready to Learn	750,000
Convenings	436,375
Crisis response	75,000
Subject to passage of time	<u>200,000</u>
Total net assets with donor restrictions	<u>\$ 3,072,720</u>

## NOTE 8 – LEASES

At December 31, 2022, operating lease right-of-use assets and lease liabilities include a copier lease and a facility lease for office and program space. Finance lease right-of-use assets and lease liabilities include computer hardware. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

The following accounting policy elections were made in connection with the lease standard:

- *Short-term leases* – CHF has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – CHF elected to use the risk-free-rate as the discount rate when the rate implicit in the lease is not readily determinable.
- *Lease and non-lease components* – CHF elected the practical expedient to choose whether to separate non-lease components from lease components by class of underlying assets or account for them as a single lease component. CHF elected not to separate lease and non-lease components for all leases.

The components of lease costs for the year ended December 31, 2022 are as follows:

Finance lease costs:

Amortization of right-of-use assets	\$ 11,531
Interest on lease liabilities	135
Operating lease costs	177,648
Short-term lease costs	<u>15,681</u>
Total lease costs	<u>\$ 204,995</u>

Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2022:

Operating leases cash outflow	\$177,648
Finance leases cash outflow	\$11,640

The weighted-average term and discount rates for both operating and finance leases outstanding as of December 31, 2022:

	<u>OPERATING</u>	<u>FINANCE</u>
Weighted-average remaining lease term	41 months	24 months
Weighted-average discount rate	0.69%	0.46%

Undiscounted cash flows related to operating and finance lease liabilities at December 31, 2022 are as follows:

	<u>OPERATING</u>	<u>FINANCE</u>
2023	\$ 177,648	\$ 11,640
2024	177,648	11,640
2025	176,830	
2026	<u>69,930</u>	<u>          </u>
Total undiscounted cash flows	602,056	23,280
Less discount to present value	<u>(6,875)</u>	<u>(111)</u>
Total discounted present value of lease liabilities	<u>\$ 595,181</u>	<u>\$ 23,169</u>

#### **NOTE 9 – EMPLOYEE BENEFIT PLAN**

CHF maintains an employee benefit plan under Section 403(b) of the Code covering all qualified employees. 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 eligible employees' gross salaries to the plan. CHF's contributions to the plan were approximately \$126,000 for the year ended December 31, 2022.

#### **NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 30, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.