

The Children's Health Fund

Financial Statements
and Independent Auditors' Report
for the year ended December 31, 2023

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, 2023, 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, 2023, 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.

Restatement of Beginning Net Assets

As discussed in Note 2 to the financial statements, net assets as of January 1, 2023 were restated. Our opinion is not modified with respect to these matters.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that The Children's Health Fund will continue as a going concern. As discussed in Note 3 to the financial statements, The Children's Health Fund has experienced declining contributions and excesses of expenses over revenues in recent years and there is substantial doubt about The Children's Health Fund's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of the uncertainty. Our opinion is not modified with respect to this matter.

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

September 19, 2024

The Children's Health Fund

Statement of Financial Position as of December 31, 2023

ASSETS

Cash	\$ 449,543
Investments (Note 5)	1,669,914
Contributions receivable (Note 3)	1,720,226
Prepaid expenses and other assets	57,385
Lease right-of-use lease assets, net (Note 8):	
Operating	420,188
Finance	11,532
Property and equipment, net (Note 6)	<u>269,522</u>
TOTAL ASSETS	<u>\$ 4,598,310</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 177,845
Grants payable (Notes 3 and 9)	4,982,398
Lease liabilities (Note 8):	
Operating	421,006
Finance	<u>11,612</u>
Total liabilities	<u>5,592,861</u>
Net assets:	
Without donor restrictions (Note 3)	(3,659,430)
With donor restrictions (Note 7)	<u>2,664,879</u>
Total net assets	<u>(994,551)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,598,310</u>

See accompanying notes to financial statements.

The Children's Health Fund

Statement of Activities for the year ended December 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions <i>(Note 9)</i>	\$ 1,477,044	\$ 3,858,585	\$ 5,335,629
Net investment return	<u>262,201</u>		<u>262,201</u>
Total revenue	1,739,245	3,858,585	5,597,830
Net assets released from restrictions:			
Program expenditures	4,330,426	(4,330,426)	
Expiration of time restrictions	<u>200,000</u>	<u>(200,000)</u>	
Total	<u>6,269,671</u>	<u>(671,841)</u>	<u>5,597,830</u>
EXPENSES:			
Program services:			
National network	3,145,982		3,145,982
Education	1,546,341		1,546,341
Public health and health crisis response	<u>768,933</u>		<u>768,933</u>
Total program services	5,461,256		5,461,256
Management and general	1,143,361		1,143,361
Fundraising	<u>692,373</u>		<u>692,373</u>
Total expenses	<u>7,296,990</u>		<u>7,296,990</u>
CHANGES IN NET ASSETS	(1,027,319)	(671,841)	(1,699,160)
Net assets, beginning of year, as restated <i>(Note 2)</i>	<u>(2,632,111)</u>	<u>3,336,720</u>	<u>704,609</u>
Net assets, end of year	<u>\$ (3,659,430)</u>	<u>\$ 2,664,879</u>	<u>\$ (994,551)</u>

See accompanying notes to financial statements.

The Children's Health Fund

Statement of Functional Expenses for the year ended December 31, 2023

EXPENSES	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL EXPENSES
	NATIONAL NETWORK	EDUCATION	PUBLIC HEALTH AND HEALTH AND HEALTH CRISIS RESPONSE	TOTAL	MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and related expenses	\$ 534,972	\$ 1,049,755	\$ 510,284	\$ 2,095,011	\$ 714,575	\$ 555,158	\$ 3,364,744
Grants	2,461,897		30,000	2,491,897			2,491,897
Professional fees	18,537	216,034	97,808	332,379	186,755		519,134
Office supplies and expenses	31,808	69,022	30,808	131,638	50,791	27,717	210,146
Depreciation and amortization	32,103	62,993	31,093	126,189	42,399	33,314	201,902
Rent	22,237	43,635	21,538	87,410	29,370	23,076	139,856
Maintenance and lease of equipment	18,566	36,431	17,982	72,979	24,521	19,266	116,766
Printing, advertising, and website	14,000	28,807	14,277	57,084	8,239	11,953	77,276
Insurance	11,138	21,856	10,788	43,782	14,711	11,558	70,051
Interest					48,305		48,305
Travel and conference		15,434	3,415	18,849	4,380	5,301	28,530
Other	724	2,374	940	4,038	19,315	5,030	28,383
Total expenses	<u>\$ 3,145,982</u>	<u>\$ 1,546,341</u>	<u>\$ 768,933</u>	<u>\$ 5,461,256</u>	<u>\$ 1,143,361</u>	<u>\$ 692,373</u>	<u>\$ 7,296,990</u>

See accompanying notes to financial statements.

The Children's Health Fund

Statement of Cash Flows for the year ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$ (1,699,160)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Amortization and depreciation	214,332
Amortization of operating right-of-use assets	174,175
Net realized and unrealized gain on investments	(211,366)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	(2,594)
Contributions receivable	407,400
Accounts payable and accrued expenses	(91,175)
Grants payable	486,743
Operating lease liabilities	<u>(174,175)</u>
Net cash used by operating activities	<u>(895,820)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	379,911
Purchases of investments	(58,968)
Change in money market mutual funds	<u>(2,030)</u>
Net cash provided by investing activities	<u>318,913</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal payments on capital lease obligations	(11,557)
Borrowing under line of credit	1,519,911
Repayment of line of credit	<u>(1,519,911)</u>
Net cash used by financing activities	<u>(11,557)</u>

NET CHANGE IN CASH (588,464)

Cash, beginning of year 1,038,007

Cash, end of year \$ 449,543

Supplemental disclosure of cash flow information:

Interest paid \$48,305

See accompanying notes to financial statements.

The Children's Health Fund

Notes to Financial Statements for the year ended December 31, 2023

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 2023, 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 15,982 COVID-19 tests being conducted and the delivery of 9,881 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.

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.

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 December 31, 2023, 86% of contributions receivable are due from three donors. At December 31, 2023, all contributions receivable are due to be collected within one year.

Property and equipment 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.

Advertising costs are expensed as incurred and total \$53,451 for the year ended December 31, 2023.

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.

NOTE 2 – RESTATEMENT OF BEGINNING NET ASSETS

During 2023, CHF recorded adjustments to restate net assets as of January 1, 2023. The effect of the restatement on previously reported net assets is as follows:

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
Net assets, as previously reported	\$ (2,064,032)	\$ 3,072,720	\$ 1,008,688
Reclassify donor-restricted contributions	(334,000)	334,000	
Recognize grant payable		(70,000)	(70,000)
Write off property and equipment previously granted to others	<u>(234,079)</u>	<u> </u>	<u>(234,079)</u>
Net assets, beginning of year, as restated	<u>\$ (2,632,111)</u>	<u>\$ 3,336,720</u>	<u>\$ 704,609</u>

NOTE 3 – MANAGEMENT’S PLANS

Management of CHF recognized systemic finance concerns within the organization and has taken the following significant steps:

- Change in executive and finance leadership. CHF’s current president and CEO joined the organization in September 2021. The controller and accounting consultants were relieved from duty in April 2023; new finance staff and consultants have been engaged.
- Conducted an analysis of CHF’s accounting practices and reconciled financial records to address inconsistencies and set standards.
- Management is in the process of negotiating or re-negotiating grant payment terms and expects to pay grants out over the next 6 years.
- Implemented new policies to ensure timely subgrant payment moving forward.
- Refocused fundraising strategies to seek more unrestricted funding for CHF’s central office work and general operating support. Diversified revenue streams, including identifying earned income opportunities that will go into effect in 2024.
- Reduced CHF’s overhead and central office expenses by nearly 36% since 2021. This was achieved through several efforts:
 - Moved office space and reduced rent and utility expenses from \$708K in 2020 to \$147K in 2023.
 - Conducted reductions in force (RIF) in 2022 and 2023 to meet budget goals.
 - Reduced spending across the organization.

Of additional note, CHF received payment from the IRS in 2024 of \$520,908 for the Employee Retention Tax Credits recognized in 2021 and included in contribution receivable at December 31, 2023.

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, 2023 comprise the following:

Financial assets:	
Cash	\$ 449,543
Investments	1,669,914
Contributions receivable	<u>1,720,226</u>
Total financial assets available for general expenditure	<u>\$ 3,839,683</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 seasonal liquidity needs, CHF maintains a \$1,000,000 operating line of credit with a bank. The line of credit bears interest at the lending bank's prime rate, 8.5% at December 31, 2023. This line of credit is available until cancelled by the bank. At December 31, 2023, 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. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that this reporting entity has the ability to access at the reporting date. 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, 2023 are as follows:

Money market mutual funds held as investments	\$ 1,091,165
Exchange-traded equity funds	<u>578,749</u>
Total investments	<u>\$ 1,669,914</u>

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

- *Exchange-traded funds* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Money market mutual funds* are valued at the net asset value.

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 CHF 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, 2023 consists of the following:

Mobile medical units	\$ 2,777,907
Leasehold improvements	487,559
Furniture, fixtures and equipment	<u>85,272</u>
Total property and equipment, at cost	3,350,738
Accumulated depreciation	<u>(3,081,216)</u>
Property and equipment, net	<u>\$ 269,522</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 are restricted as follows:

Subject to expenditure for specified purpose:	
National network	\$ 1,287,267
Healthy & Ready to Learn	866,630
Convenings	<u>510,982</u>
Total net assets with donor restrictions	<u>\$ 2,664,879</u>

NOTE 8 – LEASES

At December 31, 2023, 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 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, 2023 are as follows:

Finance lease costs:	
Amortization of right-of-use assets	\$ 11,531
Interest on lease liabilities	82
Operating lease costs	177,648
Short-term lease costs	<u>46,930</u>
Total lease costs	<u>\$ 236,191</u>

Cash paid for amounts included in the measurement of lease liabilities during the year ended December 31, 2023:

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, 2023:

	<u>OPERATING</u>	<u>FINANCE</u>
Weighted-average remaining lease term	41 months	12 months
Weighted-average discount rate	0.69%	0.46%

Undiscounted cash flows related to operating and finance lease liabilities at December 31, 2023 are as follows:

	<u>OPERATING</u>	<u>FINANCE</u>
2024	\$ 177,648	\$ 11,640
2025	176,830	
2026	<u>69,930</u>	<u> </u>
Total undiscounted cash flows	424,408	11,640
Less discount to present value	<u>(3,402)</u>	<u>(28)</u>
Total discounted present value of lease liabilities	<u>\$ 421,006</u>	<u>\$ 11,612</u>

NOTE 9 – CONCENTRATIONS

In 2023, approximately 14% of total contributions was from one donor. Approximately 55% of grants payable at December 31, 2023 is a grant made to one grantee.

NOTE 10 – 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 \$89,000 for the year ended December 31, 2023.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 19, 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.