

**CHILDREN'S MEDICAL FUND OF NEW YORK**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2008**

**AND**

**INDEPENDENT AUDITORS' REPORT**

# CHILDREN'S MEDICAL FUND OF NEW YORK

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**FRIEDMAN LLP**  
ACCOUNTANTS AND ADVISORS

**INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Children's Medical Fund of New York

We have audited the accompanying statement of financial position of the Children's Medical Fund of New York (the "Organization") as of December 31, 2008, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Children's Medical Fund of New York as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, the Organization restated its net assets as of January 1, 2008 to correct a misstatement.

September 22, 2009

CHILDREN'S MEDICAL FUND OF NEW YORK

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2008

**ASSETS**

Cash and cash equivalents	\$	5,516,351
Pledges receivable, net of allowance for doubtful accounts of \$188,500		2,252,963
Claims receivable		500,000
Investments		53,047
Prepaid expenses		58,494
Property and equipment, net		5,393
	\$	8,386,248

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable and accrued expenses	\$	22,027
Grants payable		330,000
		352,027

Commitments and contingencies

**NET ASSETS**

Unrestricted		
Undesignated		4,124,048
Board-designated		100,000
		4,224,048
Temporarily restricted		3,810,173
		8,034,221
	\$	8,386,248

See notes to financial statements.

**CHILDREN'S MEDICAL FUND OF NEW YORK**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2008**

	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenues</b>			
Public support			
Special events revenue	\$ 1,057,927	\$ -	\$ 1,057,927
Less - Direct special event expenses	(297,539)	-	(297,539)
Special events, net	760,388	-	760,388
Contributions			
CMF Central Board	207,326	95,058	302,384
Women's division	5,000	-	5,000
	212,326	95,058	307,384
	972,714	95,058	1,067,772
Revenues			
Other revenue	-	500,000	500,000
Interest and dividends	139,964	-	139,964
Unrealized losses on investments	(10,884)	-	(10,884)
In-kind service	117	-	117
Miscellaneous income	9,955	-	9,955
	139,152	500,000	639,152
Net assets released from restrictions	52,295	(52,295)	-
	1,164,161	542,763	1,706,924
<b>Program and supporting services</b>			
Program services			
Child life program	495,253	-	495,253
Supporting services			
Management and general	307,552	-	307,552
Fundraising	396,817	-	396,817
	1,199,622	-	1,199,622
<b>Change in net assets</b>	(35,461)	542,763	507,302
Net assets, beginning of year, as restated	4,259,509	3,267,410	7,526,919
<b>Net assets, end of year</b>	<b>\$ 4,224,048</b>	<b>\$ 3,810,173</b>	<b>\$ 8,034,221</b>

See notes to financial statements.

CHILDREN'S MEDICAL FUND OF NEW YORK

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2008

**Cash flows from operating activities**

Change in net assets	\$	507,302
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization		4,837
Amortization of discount on pledges		(233,493)
Unrealized loss on investments		10,884
Contribution of stock		(19,149)
Bad debt expense		156,750
Changes in assets and liabilities		
Pledges receivable		698,085
Other receivables		(500,000)
Prepaid expenses		(37,357)
Accounts payable and accrued expenses		3,557
Grants payable		(300,000)
<hr/>		
Net cash provided by operating activities, and net increase in cash and cash equivalents		291,416
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Cash and cash equivalents, beginning of year		5,224,935
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Cash and cash equivalents, end of year	\$	5,516,351
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See notes to financial statements.

CHILDREN'S MEDICAL FUND OF NEW YORK

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2008

	Program Services	Supporting Services			Total Expenses
		Management and General	Fundraising	Total	
Salaries	\$ 81,161	\$ 89,953	\$ 50,935	\$ 140,888	\$ 222,049
Payroll taxes and employee benefits	18,553	27,052	19,040	46,092	64,645
	99,714	117,005	69,975	186,980	286,694
Special events expenses	-	-	297,539	297,539	297,539
Professional fees and contracted services	2,294	73,011	3,875	76,886	79,180
Grants	376,158	-	-	-	376,158
Marketing and advertising	-	670	50,072	50,742	50,742
Supplies	1,598	6,923	8,395	15,318	16,916
Meetings and seminars	-	1,327	-	1,327	1,327
Occupancy	-	27,081	-	27,081	27,081
Equipment, rental and maintenance	-	13,079	-	13,079	13,079
Design, typography and printing	3,897	13,548	39,338	52,886	56,783
Telecommunications	762	1,905	4,952	6,857	7,619
Postage and shipping	1,710	3,175	5,328	8,503	10,213
Travel and transportation	336	489	345	834	1,170
Insurance	-	7,453	-	7,453	7,453
Internet/web site	8,784	21,965	57,106	79,071	87,855
Other expenses	-	15,084	681	15,765	15,765
Bad debt expenses	-	-	156,750	156,750	156,750
Depreciation and amortization	-	4,837	-	4,837	4,837
	495,253	307,552	694,356	1,001,908	1,497,161
Less - Expenses deducted directly from revenues on statements of activities	-	-	(297,539)	(297,539)	(297,539)
	\$ 495,253	\$ 307,552	\$ 396,817	\$ 704,369	\$ 1,199,622

See notes to financial statements.

# CHILDREN'S MEDICAL FUND OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS

### 1 - ORGANIZATION AND NATURE OF ACTIVITIES

The Children's Medical Center of New York Fund ("CMC") was organized as a membership corporation under the laws of New York State in December 1973 and is an exempt organization within the meaning of Section 501(c)(3) of the Internal Revenue Code. CMC is now known as Children's Medical Fund of New York (the "Organization").

The Organization was created for and is dedicated to the planning, education and public relations for the establishment and support of a health facility (Schneider Children's Hospital) especially devoted to the total care of children and the provision of a comprehensive children's medical service. The Schneider Children's Hospital opened in 1983.

The Organization is the only continuing supporter of the Child Life Program at Schneider Children's Hospital of the LIJ-North Shore University Hospital in New Hyde Park, New York. The Child Life Program gives patients and their families the use of specialists in a multi-disciplinary health care program to help them learn about and cope with the stress of a hospital stay. The Child Life Program provides entertainment, books and videos, crafts, holiday parties, and gifts to patients, as well as providing therapeutic play, the Heather on Earth Music Therapy, pet therapy, and Clown Care Programs, all funded in full or part by the Organization.

The Organization is supported primarily through pledges received through fundraising activities held by various divisions and chapters of the Organization. The pledges are received principally from individuals and organizations located in the Long Island and New York City area. The Organization consists of the following divisions: CMF Central Board, Men's Division, and Women's Division. The Women's Division is divided up into auxiliary chapters which are the North Shore Chapter and Garden City Chapter.

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into the following three categories:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board-designated funds represent amounts set aside as a Capital Reserve Fund.



# CHILDREN'S MEDICAL FUND OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Presentation (Continued)**

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by action of the Organization and/or the passage of time.

When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2008.

#### **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization as described in Section 509(a).

#### **Concentrations of Credit Risk for Cash**

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

#### **Cash and Cash Equivalents**

For financial statement purposes, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents except any cash and cash equivalents held by the investment trustees which are deemed to be held for long-term purposes.

# CHILDREN'S MEDICAL FUND OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Pledges Receivable**

Pledges receivable are recorded at net realizable value if expected to be collected in one year and, if material, multiyear receivables are recorded at the present value of their estimated future cash flow. The discounts on such multiyear receivables are computed using a risk-free interest rate applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. The Organization's allowance for doubtful accounts is based on management's estimates of the creditworthiness of its contributors, current economic conditions and historical information. As of December 31, 2008, such allowance amounted to \$188,500.

#### **Investments**

Investments are stated at quoted market value (fair value) if publicly traded on a national exchange. All other investments are stated at cost. Donated assets are recorded at fair value at the date of the donation.

#### **Property and Equipment**

Property and equipment is stated at cost, or at fair value, if donated. Assets with a useful life of greater than two years and a cost of \$500 or more are capitalized. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease. Depreciation is computed under the straight-line method.

#### **Revenue Recognition**

Contributions are recognized as revenue when an unconditional promise to give has been made. The Organization reports gifts of cash and other assets as temporarily restricted revenue if they are received with donor stipulations that limit the use of the donated assets.

#### **Contributed Goods and Services**

Contributed goods and services are recognized in the financial statements if the services or goods enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization receives contributed goods. Contributed goods have been reported as revenue and expenses in the accompanying statement of activities. Contributed goods include items for the Organization's special events. The Organization received a substantial amount of services donated by volunteers in carrying out its activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. The contributed goods for the year ended December 31, 2008 amounted to \$60,297 and were utilized for special events.

# CHILDREN'S MEDICAL FUND OF NEW YORK

## NOTES TO FINANCIAL STATEMENTS

### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Functional Expenses

Functional expenses for shared costs have been allocated between program services and supporting services based on an analysis of personnel time, space utilized, and other equitable bases for the related activities.

The direct costs of special events include expenses for the benefit of the donor. For example, meals, facilities and rentals are considered direct costs of special events.

### 3 - INVESTMENTS

Investments consist of the following as of December 31, 2008:

State of Israel Bond, 5.6% annual interest, maturing June 1, 2013 (at cost)	\$	20,000
State of Israel Bond, 5.3% annual interest, maturing January 1, 2014 (at cost)		20,000
Common stock (fair value)		13,047
	\$	<u>53,047</u>

Investment income for the year ended December 31, 2008 consists of interest and dividends of \$139,964.

Investments are subject to market volatility which could substantially change the carrying value in the near term.

**CHILDREN'S MEDICAL FUND OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**4 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2008:

		Estimated Useful Lives
Computers	\$ 26,709	5 years
Furniture and fixtures	22,576	7 years
Machinery and equipment	18,217	7 years
Leasehold improvements	5,497	5 years
	72,999	
Less - Accumulated depreciation and amortization	67,606	
<b>Net property and equipment</b>	<b>\$ 5,393</b>	

**5 - PLEDGES RECEIVABLE**

As of December 31, 2008, pledges are expected to be collected as follows:

Due in less than one year	\$ 466,333	
Due between one and five years	1,459,000	
Thereafter	942,149	
	2,867,482	
Less -		
Allowance for doubtful accounts	(188,500)	
Present value discount	(426,019)	
	<b>\$ 2,252,963</b>	

Pledges to be received after one year are discounted to present value using interest rates ranging from .37% to 4.63%.

**CHILDREN'S MEDICAL FUND OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**6 - GRANTS PAYABLE**

Grants authorized by the board of trustees but unpaid at year-end are reported as liabilities. The following summarizes the change in grants payable for 2008 (all to the Schneider Children's Hospital):

	Balance, January 1, 2008	Grants Awarded in 2008	Grants Paid in 2008	Balance, December 31, 2008
Pediatric Emergency Department	\$ 25,000	\$ -	\$ -	\$ 25,000
Clown care unit	50,000	37,500	(50,000)	37,500
Child life	480,000	220,500	(480,000)	220,500
Music therapy	75,000	42,000	(70,000)	47,000
	<u>\$ 630,000</u>	<u>\$ 300,000</u>	<u>\$ (600,000)</u>	<u>\$ 330,000</u>

Other donor designated grants paid in 2008 amounted to \$76,158.

**7 - COMMITMENTS AND CONTINGENCIES**

The Organization renewed its lease agreement for the rental of its offices in New Hyde Park, New York in 2008. The lease term ends at the end of 2013. Rent expense for the year ended December 31, 2008 was \$27,081.

Future minimum lease payments are as follows:

Year Ending December 31,	
2009	\$ 26,493
2010	25,134
2011	25,559
2012	25,772
2013	26,409
	<u>\$ 129,367</u>

**CHILDREN'S MEDICAL FUND OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**8 - CONCENTRATION OF RISK**

During 2008, approximately 53% of the Organization's special events revenue was generated from the Golf and Tennis Outing.

**9 - TEMPORARILY RESTRICTED NET ASSETS**

The following summarizes the changes in temporarily restricted net assets (restricted for the Schneider Children's Hospital) in 2008:

Program	Balance, January 1, 2008	Contributions*	Released From Restrictions	Balance, December 31, 2008
Pediatric Emergency Room	\$ 3,262,410	\$ 542,763	\$ -	\$ 3,805,173
Pediatric Hematology Oncology Department	5,000	52,295	52,295	5,000
	\$ 3,267,410	\$ 595,058	\$ 52,295	\$ 3,810,173

\*Contributions include \$500,000 in claims receivable (see Note 10).

Upon completion of the Pediatric Emergency Room, net assets restricted for such purpose will be released.

**10 - CLAIMS RECEIVABLE**

The Organization has filed a claim with the trustee for Bernard L. Madoff Investment Securities LLC and anticipates receiving its claim from the Securities Investor Protection Corporation and, accordingly, has accrued \$500,000 as other revenue. The Organization's losses from its investment with Bernard L. Madoff Investment Securities were recorded in its 2007 financial statements.

**CHILDREN'S MEDICAL FUND OF NEW YORK**

**NOTES TO FINANCIAL STATEMENTS**

**11 - RESTATEMENT**

The Organization's net assets at January 1, 2008 have been restated as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets at January 1, 2008, as previously reported	\$ 2,859,509	\$ 3,917,410	\$ 6,776,919
To adjust for a contribution recorded as grants payable in a prior year	650,000	-	650,000
To adjust for a board-designated fund established as a payable in a prior year	100,000	-	100,000
To reclassify temporarily restricted net assets to unrestricted where no purpose or time restriction exists	650,000	(650,000)	-
Net assets at January 1, 2008, as restated	\$ 4,259,509	\$ 3,267,410	\$ 7,526,919