

Sample Audited Financial Statement

Sound & Prudent
50 First Street
San Francisco, CA 94105

Independent Auditors' Report

Board of Directors of the Community Health Fund Network:

We have audited the accompanying consolidated statements of financial position of the Community Health Fund Network ("the Network") as of December 31, 2000, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of The Fund's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Health Fund Network as of December 31, 2000, and the results of their activities and changes in net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses for the year ended December 31, 2000 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Network's management. Such information has been subjected to the auditing pressures applied in our audit of the 2000 consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the 2000 consolidated financial statements taken as a whole.

Sound and Prudent
September 1, 2000

COMMUNITY HEALTH FUND NETWORK
STATEMENT OF FINANCIAL POSITION: December 31, 2000

ASSETS	2000
CURRENT ASSETS:	
Cash and cash equivalents	\$1,667,827
Mutual funds	612,870
Accounts receivable	43,174
Grants receivable	660,548
Merchandise inventory	8,351
Prepaid expenses and other	30,774
Total current assets	<hr/> 3,023,544
FURNITURE AND EQUIPMENT	75,523
Net of accumulated depreciation of \$172,601	
OTHER ASSETS	106,314
Total Assets	<hr/> <u>\$3,205,381</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$112,895
Refundable advance	5,362
Deposits	28,629
Total Current Liabilities	<hr/> \$146,886
NET ASSETS	
Unrestricted net assets	
Designated for operating reserved	539,715
Designated for investment in net fixed assets	75,523
Undesignated	1,377,247
Total Unrestricted Net Assets	<hr/> 1,992,485
Temporarily restricted net assets	1,066,010
Total Net Assets	<hr/> 3,058,495
Total Liabilities and Net Assets	<hr/> <u>\$3,205,381</u>

See accompanying notes to financial statements

COMMUNITY HEALTH FUND NETWORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2000

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$952,696	-	\$952,696
Foundation grants	1,525,773	\$532,947	2,058,720
Federal grants	69,311	-	69,311
Membership dues	228,022	-	228,022
Special events, net of costs and			
Direct benefit to donors	83,332	-	83,332
Service and consulting revenue	240,478	-	240,478
Merchandise sales, net of cost of			
sales of \$10,754	(3,890)	-	(3,890)
Subscription income	32,864	-	32,864
Advertising income	9,072	-	9,072
Investment income	193,184	-	193,184
Donated van write down	(60,000)	-	(60,000)
Miscellaneous	29,482	-	29,482
Net assets released from restrictions			
Satisfaction by payments	2,580	(2,580)	-
Satisfaction of foundation restrictions	621,885	(621,885)	-
 Total Support and Revenue	 3,924,789	 (91,518)	 3,833,271
Expenses			
Program services	3,688,020	-	3,688,020
Administrative and general	257,548	-	257,548
Fundraising	284,270	-	284,270
 Total Expenses	 4,229,838	 -	 4,229,838
 Change in Net Assets	 (305,049)	 (91,518)	 (396,567)
Net Assets, beginning of year	2,297,534	1,157,528	3,455,062
 Net Assets, end of year	 \$1,992,485	 \$1,066,101	 \$3,058,495

See accompanying notes to financial statements

COMMUNITY HEALTH FUND NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2000

	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries and employee benefits	\$1,798,218	\$177,957	\$118,373	\$2,094,548
Independent contractors	302,774	-	-	302,774
Printing and publications	176,825	-	-	176,825
Postage and shipping	66,603	5,731	3,138	75,472
Travel and meetings	245,735	3,465	1,898	251,898
Conferences and trainings	82,234	-	900	83,134
Direct mail costs	8,064	-	8,370	16,434
Special appeals	5,828	-	5,828	11,656
Grants and allocations	466,247	-	-	466,247
Promotion and public education	58,594	-	69,169	122,763
Special events expenses	-	-	51,136	51,136
Professional fees	13,415	25,082	-	38,497
Occupancy	200,448	19,354	10,598	230,400
Insurance	9,200	888	487	10,575
Supplies	63,948	6,174	3,381	73,503
Telephone	93,815	9,058	4,960	107,833
Depreciation	44,108	4,645	3,090	51,843
Equipment rental & maintenance	44,538	4,300	2,354	51,192
Miscellaneous	12,426	894	588	13,908
Total Expenses	<u>\$3,688,020</u>	<u>\$257,548</u>	<u>\$284,270</u>	<u>\$4,229,838</u>

See accompanying notes to financial statements

COMMUNITY HEALTH FUND NETWORK
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2000

Cash Flows from Operating Activities

Change in net assets	\$ (396,567)
Adjustments to reconcile change in net assets to net	
Cash used by operating activities:	
Depreciation	51,843
Donated property and equipment	(11,568)
Donated automobile	(7,000)
Loss on disposal of fixed assets	7,884
Donated bus write down	60,000
Net unrealized gains on investment in mutual funds	(81,070)
Net realized gains on investment in mutual funds	(50,374)
(Increase) decrease in:	
Accounts receivable	(17,577)
Grants receivable	125,642
Merchandise inventory	12,288
Prepaid expenses and others	10,431
Deposits	(305)
Increase (decrease) in:	
Accounts payable and accrued expenses	40,481
Refundable advance	5,362
Deposits	3,663
Net Cash Used by Operating Activities	<u>(246,867)</u>

Cash Flows from Investing Activities

Purchase of furniture and equipment	(37,379)
Proceeds from sale of mutual funds, net	426,072
Dividends reinvested	(9,888)
Net Cash Provided by Investing Activities	<u>378,805</u>

Net Increase in Cash	<u>131,938</u>
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Cash and Cash Equivalents, beginning of year	1,535,889
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Cash and Cash Equivalents, end of year	<u><u>\$1,667,827</u></u>
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See accompanying notes to financial statements

COMMUNITY HEALTH FUND NETWORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2000

1. Organization and Summary of Significant Accounting Policies

Organization - The Community Health Fund Network (“The Network”) is a national nonprofit organization established under Section 501(c)(3) of the Internal Revenue Code. The Network’s purpose is to raise awareness and funding for cutting-edge projects in public health, health education, patient support, and advocacy. The Network conducts its own programs of education, outreach, and advocacy; publishes reports from the field of community-based public health projects; and also has a grants program to fund the work of other organizations and institutions selected by its Board of Directors. It also works in an advisory capacity to community-based public health programs throughout the country.

Basis of Accounting - The accompanying financial statements are presented using the accrual method of accounting.

Financial Statement Presentation – Information regarding the financial position and activities are classified into the applicable classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Furthermore, expenses are classified into program service expenses and support expenses. Support expenses are administrative and general, and fundraising expenses.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Network considers all demand deposits with financial institutions, money market accounts, certificates of deposit, and short-term investments with an initial maturity of three months or less to be cash equivalents.

Investments – Investments in equity securities with readily determinable fair values and all investments in debt securities are reported in the statement of financial position at fair value with realized and unrealized gains and losses included in the statement of activities. Gains and losses are reflected as increases or decreases in the unrestricted class of net assets unless the donor or relevant laws place temporary or permanent restrictions on the gains and losses.

Accounts Receivable – No allowance for uncollectible accounts has been provided since the accounts receivable are all deemed to be collectible.

Merchandise Inventory – Merchandise inventory consists primarily of books and other various items sold to the general public for educational and fundraising purposes. The inventory is stated at the lower of cost or market with cost determined by the first-in, first-out method.

Property and Equipment – Purchased property and equipment are recorded at cost. Contributed

property and equipment are recorded at their estimated fair market values at the date of donation. The cost of maintenance and repairs is expensed as incurred while significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from three to five years.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give and multi-year grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in foundation grants revenue.

Donated Services – The Network receives various volunteer services throughout the year. No amount has been recognized in the statement of activities because the criteria for recognition under Statement of Financial Accounting Standards (SFAS) No. 116 have not been satisfied.

Membership Dues – Membership dues are recognized as revenue based on the membership period covered by the member dues. The Network's membership is on a calendar year basis.

Grants Made – The Network periodically provides grants to unrelated nonprofit organizations for the support of innovative community public health programs. The list of Network projects as described in Note 11 does not include a description of activities supported by these grants. Unconditional grants made by the Network to unrelated nonprofit organizations are recorded as expense and payable upon commitment.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Network is exempt from Federal income and State franchise taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and Section 23701 of the State Taxation Code respectively. As such, no provision for income taxes has been provided in these financial statements.

The Network has elected to utilize Section 501(h) of the Internal Revenue Code, which allows limited lobbying activities by Section 501(c)(3) nonprofit organizations.

The grants receivable as of December 31, 2000 were due as follows:

Less than one year	\$749,248
One to five years	95,000
Total unconditional grants receivable	<u>\$844,248</u>
Less discounts to net present value	(88,700)
Net grants receivable	<u><u>\$755,548</u></u>

In 1998, the Network received from the Robert Emory Foundation, a \$1,000,000 grant, scheduled to be received in four equal installments. The final installment of \$250,000 was included in the “grants receivable” balance at December 31, 2000.

3. Donated Bus

In 1997, the Network received a medical transport van valued at \$60,000. Since management has not been able to donate the bus to a hospital as initially intended, the original value of the bus was written down to zero in 2000.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2000 were available for the following purposes:

Programs/projects:

General Support	\$451,552
Cancer Screening	75,000
Teen Health Academy	116,400
National Conference - 2001	132,804
Rural Immunization Committee	30,000
AIDS/HIV Awareness	130,000
Water Safety/First Aid Training	11,250
Dioxin Awareness Campaign	50,000
Smoking Cessation Program	35,000
Neo-natal Nutrition	34,004
Total	<u><u>\$1,066,010</u></u>

5. Investment Income

The investment return for the year ended December 31, 2000 consisted of the following:

Interest and dividend from banks and brokerage firm	\$51,852
Dividend from investment in money funds	9,888
Realized capital gains from investment in mutual funds	50,374
Unrealized gains from investment in mutual funds	81,070
Total	<u>\$193,184</u>

6. Leases

The Community Health Fund Network leases its main office space in San Francisco under a renewed three-year agreement expiring May 2003. The monthly rental ranges from \$13,350 in 2000 to \$14,592 in 2003. The Network is responsible for the real property tax, insurance, and property maintenance costs.

Two other sites were also leased under agreements expiring in March 2000 and May 2004, with monthly rental of \$1,187 and \$1,000 respectively.

The Network also leases various other office spaces primarily on a one-time or month-to-month basis throughout the United States in order to carry out its programs. In addition, certain rent payments totaling \$8,300 were made to four project directors in 2000.

The total rent and occupation costs paid for all the leases amounted to \$230,400 in 2000.

The minimum future lease payments for the non-cancelable long-term leases as of December 31, 2000 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2000	\$180,108
2001	183,999
2002	84,960
2003	5,000

7. Contingencies

The Network has participated in grant programs assisted by various government agencies. Those programs are subject to financial and compliance audits by the grantors or their representatives, the purpose of which is to ensure compliance with condition precedent and subsequent to the granting of funds. According to management, any liability for reimbursements which may arise as the result of these audits is not believed to be material.

8. Concentration of Credit Risk

The Network maintains its cash balances at one bank and two brokerage firms. Accounts at the bank are insured by Federal Deposit Insurance Corporation (FDIC) for up to \$100,000. The cash in the brokerage accounts is protected by Security Investor Protection Corporation (SPIC) for up to a maximum of \$500,000 including \$100,000 in claims on cash. Moreover, the brokerage firms usually carry additional insurance to provide further protection for their customers. The balances at the bank, at times throughout the year, may exceed the FDIC insured limit. At December 31, 2000 the uninsured cash and money fund balances approximated \$8,000 at the bank and \$822,000 at one brokerage firm. Neither SPIC nor the additional coverage protects against losses on investments due to market fluctuations.