# Sample Audited Financial Statement

Sound & Prudent

50 First Street

San Francisco, CA 94105

### Independent Auditors’ Report

Board of Directors

Community Health Fund Network

San Francisco, CA

We have audited the accompanying financial statements of financial position of the Community Health Fund Network (“the Network”), which include the statement of financial position as of December 31, 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such an opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the 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, 2015, and the results of their activities and changes in net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Sound and Prudent

Certified Public Accountants

May 1, 2016

#### Community Health Fund Network

#### STATEMENT OF FINANCIAL POSITION: December 31, 2015

#### Assets 2015

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

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Total Current Assets 3,023,544

FURNITURE AND EQUIPMENT 75,523

Net of accumulated depreciation of $172,601

OTHER ASSETS 106,314

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**Total Assets $3,205,381**

#### Liabilities and Net Assets

CURRENT LIABILITIES

Accounts payable and accrued expenses $112,895

Refundable advance 5,362

Deposits 28,629

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Total Current Liabilities $146,886

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NET ASSETS

Unrestricted net assets

Designated for operating reserves 539,715

Designated for investment in net fixed assets 75,523

Undesignated 1,377,247

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Total Unrestricted Net Assets 1,992,485

Temporarily restricted net assets 1,066,010

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Total Net Assets 3,058,495

**Total Liabilities and Net Assets $3,205,381**

See accompanying notes to financial statements

#### Community Health Fund Network

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

Temporarily

Unrestricted Restricted Total

##### 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) -

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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

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Total Expenses 4,229,838 - 4,229,838

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**Change in Net Assets** (305,049) (91,518) (396,567)

**Net Assets, beginning of year** 2,297,534 1,157,528 3,455,062

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**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, 2015

Program Administrative

Services and General Fundraising Total

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

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**Total Expenses** $3,688,020 $257,548 $284,270 $4,229,838

See accompanying notes to financial statements

Community Health Fund Network

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

#### 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

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Net Cash Used by Operating Activities (246,867)

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#### 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)

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Net Cash Provided by Investing Activities 378,805

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**Net Increase in Cash** 131,938

**Cash and Cash Equivalents, beginning of year**  1,535,889

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**Cash and Cash Equivalents, end of year** $1,667,827

See accompanying notes to financial statements

Community Health Fund Network

NOTES TO FINANICAL STATEMENTS

December 31, 2015

**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 multiyear 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.

1. **Grants Receivable**

The grants receivable as of December 31, 2015, were due as follows:

Less than one year $654,248

One to five years 95,000

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Total unconditional grants receivable $749,248

Less discounts to net present value (88,700) \_\_\_\_\_\_\_\_\_\_

Net grants receivable $660,548

In 2009, 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, 2015.

1. **Donated Bus**

In 2009, the Network received a medical transport van valued at $60,000. Because 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 2011.

1. **Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2015, were available for the following purposes:

Programs/projects:

General Support $451,552

Cancer Screening 75,000

Teen Health Academy 116,400

National Conference - 2014 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

Neonatal Nutrition 34,004

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Total $1,066,010

1. **Investment Income**

The investment return for the year ended December 31, 2015, 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

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Total $193,184

1. **Leases**

The Community Health Fund Network leases its main office space in San Francisco under a renewed four-year agreement expiring December 2017. The monthly rental ranges from $14,246 in 2016 to $14,822 in 2017. 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 2017 and May 2018, 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 each of four project directors in 2015.

The total rent and occupation costs paid for all the leases amounted to $230,400 in 2015.

The minimum future lease payments for the non-cancelable long-term leases as of December 31, 2015, are as follows:

Year Ending

December 31, Amount

2016 200,616

2017 193,425

2018 5,000

1. **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.

1. **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, 2015, 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.