

**HOPE & HEROES CHILDREN'S
CANCER FUND
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

JUNE 30, 2012

**HOPE & HEROES CHILDREN'S CANCER FUND
(A NONPROFIT ORGANIZATION)**

**INDEX
JUNE 30, 2012**

		<u>Pages</u>
INDEPENDENT AUDITORS' REPORT		1
STATEMENT OF FINANCIAL POSITION - JUNE 30, 2012	EXHIBIT A	2
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012	EXHIBIT B	3
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2012	EXHIBIT C	4
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012	EXHIBIT D	5
NOTES TO FINANCIAL STATEMENTS		6 - 9



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hope & Heroes Children's Cancer Fund

We have audited the accompanying statement of financial position of Hope & Heroes Children's Cancer Fund (a nonprofit organization) (the "Organization") as of June 30, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 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 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 Hope & Heroes Children's Cancer Fund as of June 30, 2012, 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 3 to the financial statements, effective July 1, 2011, the Organization changed its method of preparing the financial statements from the cash basis of accounting to the accrual basis to conform to the New York State CHAR500 tax filing requirements.

Berdon LLP

Certified Public Accountants

January 31, 2013

-1-

Berdon LLP
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HOPE & HEROES CHILDREN'S CANCER FUND
(A NONPROFIT ORGANIZATION)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 148,975
Pledges receivable	107,956
Prepaid event costs	<u>126,908</u>
TOTAL ASSETS	<u>\$ 383,839</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Deferred event income	\$ <u>193,019</u>
TOTAL LIABILITIES	<u>193,019</u>

NET ASSETS:

Unrestricted	82,864
Temporarily restricted	<u>107,956</u>
TOTAL NET ASSETS	<u>190,820</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 383,839</u>

The accompanying notes to financial statements are an integral part of this statement.

**HOPE & HEROES CHILDREN'S CANCER FUND
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

CHANGES IN UNRESTRICTED NET ASSETS:

Revenue and support:

Contribution income	\$ 2,479,516
Special events (net of direct costs of \$466,623)	617,056
Other income	<u>1,728</u>
Total unrestricted revenue and support	<u>3,098,300</u>

Expenses:

Program services:	
Grants	3,079,588
Support services:	
General and administrative	192,288
Fund-raising	<u>10,840</u>
Total expenses	<u>3,282,716</u>

(DECREASE) IN UNRESTRICTED NET ASSETS (184,416)

TEMPORARILY RESTRICTED NET ASSETS:

Contributions 107,956

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 107,956

(DECREASE) IN NET ASSETS (76,460)

NET ASSETS - BEGINNING OF YEAR \$ 340,576

Net adjustment to convert from cash to accrual basis of accounting (73,296)

NET ASSETS - BEGINNING OF YEAR - RESTATED 267,280

NET ASSETS - END OF YEAR \$ 190,820

The accompanying notes to financial statements are an integral part of this statement.

**HOPE & HEROES CHILDREN'S CANCER FUND
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012**

			<u>SUPPORT SERVICES</u>	
	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>ADMINISTRATIVE</u>	<u>FUND- RAISING</u>
Grants to "Columbia University Program"	\$ 2,730,828	\$ 2,730,828	\$ -	\$ -
Professional fees	34,729	-	34,729	-
Advertising and promotion	122,304	122,304	-	-
Office expense	344,664	208,899	135,765	-
Postage and delivery	18,316	-	18,316	-
Travel and entertainment	16,194	16,194	-	-
Miscellaneous	<u>15,681</u>	<u>1,363</u>	<u>3,478</u>	<u>10,840</u>
	<u>\$ 3,282,716</u>	<u>\$ 3,079,588</u>	<u>\$ 192,288</u>	<u>\$ 10,840</u>

The accompanying notes to financial statements are an integral part of this statement.

**HOPE & HEROES CHILDREN'S CANCER FUND
(A NONPROFIT ORGANIZATION)**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES:

(Decrease) in net assets	\$ (76,460)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities:	
Changes in assets and liabilities:	
Decrease (increase) in:	
Contribution receivable	58,664
Pledges receivable	(107,956)
Prepaid event costs	(124,721)
Increase in:	
Deferred event income	<u>61,059</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(189,414)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(189,414)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>338,389</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 148,975</u>

The accompanying notes to financial statements are an integral part of this statement.

**HOPE & HEROES CHILDREN'S CANCER FUND
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Hope & Heroes Children's Cancer Fund (the "Organization") was organized in 2002 under the laws of New York State to solicit funds for the benefit of, and to provide financial resources for, program support and development, patient services, education and research at Herbert Irving Division of Child and Adolescent Oncology at the Children's Hospital of New York-Presbyterian, Columbia University, College of Physicians and Surgeons ("Columbia University Program").

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting and Presentation

The accompanying 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 reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2012, the Organization has no permanently restricted net assets.

(b) Cash Equivalents

The Organization considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

(c) Pledges Receivables

The Organization recognizes, in contribution income, unconditional pledges to be collected in the future at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable in the years in which the pledges were received. Amortization of discounts is included in contribution revenue, when applicable. Management has determined that no allowance for uncollectibility is necessary, based on its assessment of the collectibility on a pledge-by-pledge basis.

(d) Prepaid Event Costs and Deferred Event Income

Income that is collected for events to be held in the following fiscal period is recorded as deferred event income and related costs paid for those events are recorded as prepaid event costs.

(e) Revenue and Support

In accordance with accounting principles generally accepted in the United States of America, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence of any donor restriction.

(continued)

**HOPE & HEROES CHILDREN'S CANCER FUND
(A NONPROFIT ORGANIZATION)**

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Most operating support and revenue received is unrestricted. In cases where donor-restricted resources are received, funds are held until the related restriction is complied with and then released from restrictions. Restricted support received and expended in the same year is treated as unrestricted for financial statement purposes.

(f) Donated Services

A number of volunteers have donated varying amounts of time to the Organization's activities. The Organization does not recognize revenue or expense associated with the services contributed by these volunteers, since no objective basis is available to measure the value of such services. Accordingly, no amounts have been reflected in the accompanying financial statements for those services.

Columbia University Medical Center provides employee services and New York-Presbyterian Morgan Stanley Children's Hospital provides office space to the Organization for which no fee is charged. These services amount to approximately \$281,000, for the year ended June 30, 2012 and are reflected as contribution income and office expenses in the accompanying statement of activities and changes in net assets.

(g) Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk at this time consist principally of cash. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The Organization maintains its cash balance with financial institutions in New York and New Jersey. The Organization may at times exceed amounts covered by insurance provided by the FDIC.

(h) Accounting 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 the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

(i) Functional Expenses

The costs of providing program and supporting services for the year ended June 30, 2012 have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

(continued)

**HOPE & HEROES CHILDREN'S CANCER FUND
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NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Grants

The contributions received from donors for restricted purposes within the fiscal year designating particular Columbia University programs have been remitted to those programs and included in program services - grants in the accompanying statement of activities and changes in net assets. Other grants to the Columbia University Program have been made for general purposes without particular program designations or reporting requirements.

(k) Subsequent Events

The Organization has evaluated subsequent events after the June 30, 2012 through January 31, 2013, the date that the financial statements are considered available to be issued.

NOTE 3 - NET ASSETS RESTATED

The Organization changed its method of preparing the financial statements from the cash basis of accounting to the accrual basis to conform to the New York State CHAR500 tax filing requirements. As a result, net assets have been restated as of July 1, 2011 which consists of the following adjustments:

Beginning balance - July 1, 2011 (cash basis - unrestricted)	\$ 340,576
Adjustment for special events income received in advance	(131,960)
Adjustment for contributions receivable	<u>58,664</u>
Beginning balance - July 1, 2011 (accrual basis - unrestricted)	\$ <u>267,280</u>

NOTE 4 - INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code").

Generally accepted accounting principles (GAAP) requires evaluation of the tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are *more likely than not* sustainable upon examination by the applicable taxing authorities, based on the technical merits of the tax position, and then recognizing the tax benefit that is *more likely than not* to be realized. Tax positions not deemed to meet the *more likely than not* threshold would be recorded as a tax expense in the current reporting period. Management believes the effect of any such positions would be immaterial to the overall financial statements of the Organization.

The Organization's federal income tax returns for the years after 2007 remain subject to examination by the taxing authorities.

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NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PLEDGES RECEIVABLE

At June 30, 2012, pledges receivable are due as follows:

<u>For the Year Ending June 30,</u>	<u>Temporarily Restricted</u>
2013	\$ 23,000
2014	23,000
2015	23,000
2016	23,000
2017	<u>20,000</u>
	112,000
Less, discount for present value	<u>(4,044)</u>
	<u>\$ 107,956</u>

The Organization used a weighted average discount rate of 1.16% for these pledges.