

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

FINANCIAL STATEMENTS

JUNE 30, 2013

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

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JUNE 30, 2013**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hope and Heroes Children's Cancer Fund (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope and Heroes Children's Cancer Fund as of June 30, 2013, 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.

Bendon LLP

Certified Public Accountants

New York, New York
October 29, 2013

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

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013**

ASSETS

Cash and cash equivalents	\$ 216,264
Pledges receivable	86,528
Contribution receivable	8,710
Prepaid event costs	<u>23,383</u>
TOTAL ASSETS	<u>\$ 334,885</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Deferred event income	\$ 131,550
Accrued Expenses	<u>47,213</u>
TOTAL LIABILITIES	<u>178,763</u>

NET ASSETS:

Unrestricted	60,884
Temporarily restricted	<u>95,238</u>
TOTAL NET ASSETS	<u>156,122</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 334,885</u>

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

**HOPE AND HEROES CHILDREN'S CANCER FUND
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**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013**

CHANGES IN UNRESTRICTED NET ASSETS:

Revenue and support:	
Contribution income	\$ 2,579,276
Special events (net of direct costs of \$487,600)	933,687
Other income	1,215
Realized gain on sale of securities received as donation	<u>11,558</u>
	3,525,736
Net assets released from restrictions	<u>23,000</u>
Total unrestricted revenue and support	<u>3,548,736</u>
Expenses:	
Program services:	
Grants	3,372,944
Support services:	
General and administrative	191,468
Fund-raising	<u>6,304</u>
Total expenses	<u>3,570,716</u>
(DECREASE) IN UNRESTRICTED NET ASSETS	<u>(21,980)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:	
Contributions	10,282
Net assets released from restrictions	<u>(23,000)</u>
(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(12,718)</u>
(DECREASE) IN NET ASSETS	(34,698)
NET ASSETS - BEGINNING OF YEAR	<u>190,820</u>
NET ASSETS - END OF YEAR	<u>\$ 156,122</u>

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

**HOPE AND HEROES CHILDREN'S CANCER FUND
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**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>SUPPORT SERVICES</u>			
	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>ADMINISTRATIVE</u>	<u>FUND- RAISING</u>
Grants to "Columbia University Program"	\$ 3,041,235	\$ 3,041,235	\$ -	\$ -
Professional fees	69,440	-	69,440	-
Advertising and promotion	149,329	149,329	-	-
Office expense	262,697	148,995	113,702	-
Postage and delivery	5,998	-	5,998	-
Travel and entertainment	33,385	33,385	-	-
Miscellaneous	<u>8,632</u>	<u>-</u>	<u>2,328</u>	<u>6,304</u>
	<u>\$ 3,570,716</u>	<u>\$ 3,372,944</u>	<u>\$ 191,468</u>	<u>\$ 6,304</u>

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

**HOPE AND HEROES CHILDREN'S CANCER FUND
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES:

(Decrease) in net assets	\$ (34,698)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities:	
Noncash donations - securities	(336,249)
Realized gain on sale of securities	(11,558)
Changes in assets and liabilities:	
Decrease (increase) in:	
Pledges receivable	21,428
Contribution receivable	(8,710)
Prepaid event costs	103,525
Decrease (increase) in:	
Deferred event income	(61,469)
Accrued expenses	<u>47,213</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(280,518)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sale of securities	<u>347,807</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>347,807</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	67,289
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>148,975</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 216,264</u>

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

Hope and 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, 2013, 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 AND HEROES CHILDREN'S CANCER FUND
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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 \$212,000, for the year ended June 30, 2013 and are reflected as contribution income and office expenses in the accompanying statement of activities and changes in net assets.

(g) Donated Securities

Donated securities are recorded at fair market value at the date of donation.

(h) 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.

(i) 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Functional Expenses

The costs of providing program and supporting services for the year ended June 30, 2013 have been summarized on a functional basis in the accompanying statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

(k) 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.

(l) Subsequent Events

The Organization has evaluated subsequent events after the June 30, 2013 through October 29, 2013, the date that the financial statements were available to be issued.

NOTE 3 - 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 2008 remain subject to examination by the taxing authorities.

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NOTES TO FINANCIAL STATEMENTS

NOTE 4 - PLEDGES RECEIVABLE

At June 30, 2013, pledges receivable are due as follows:

<u>Year Ending June 30,</u>	<u>Temporarily Restricted</u>
2014	\$ 23,000
2015	23,000
2016	23,000
2017	<u>20,000</u>
	89,000
Less, discount for present value	<u>(2,472)</u>
	<u>\$ 86,528</u>

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