

**CHILDREN'S EMERGENCY
MEDICAL FUND, INC.**

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S
REPORT*

September 30, 2010 and 2009

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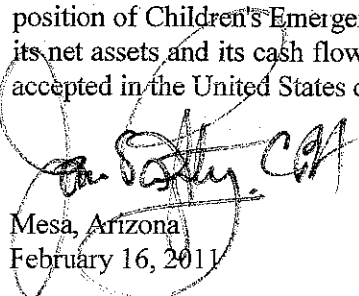
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Children's Emergency Medical Fund, Inc.
Peoria, Arizona

I have audited the accompanying statements of financial position of Children's Emergency Medical Fund, Inc., (an Arizona nonprofit organization) as of September 30, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Emergency Medical Fund, Inc. as of September 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Mesa, Arizona
February 16, 2011

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
STATEMENTS OF FINANCIAL POSITION
September 30,

	<u>2010</u>	<u>2009</u>
ASSETS		
<i>Current Assets</i>		
Cash	\$ 18,053	\$ 9,070
Pledges receivable, net	37,429	43,792
Total Current Assets	<u>55,482</u>	<u>52,862</u>
<i>Property and Equipment, net</i>	<u>19,293</u>	<u>20,440</u>
	<u>\$ 74,775</u>	<u>\$ 73,302</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i> - Accounts Payable	\$ 5,421	\$ -
<i>Net Assets</i> - Unrestricted	<u>69,354</u>	<u>73,302</u>
	<u>\$ 74,775</u>	<u>\$ 73,302</u>

See accompanying notes to financial statements

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
STATEMENTS OF ACTIVITIES
Years Ended September 30,

	2010	2009
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 3,028,941	\$ 1,439,177
Contributions	76,396	107,611
Total Support	3,105,337	1,546,788
<i>Expenses</i>		
Program services	3,081,441	1,594,037
Management services	24,489	16,182
Fundraising	3,355	-
Total Expenses	3,109,285	1,610,219
(Decrease) in Net Assets	(3,948)	(63,431)
<i>Net Assets, beginning of year</i>	73,302	136,733
<i>Net Assets, end of year</i>	\$ 69,354	\$ 73,302

See accompanying notes to financial statements

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2010

	Program Services	Supporting Services		Totals
		Management	Fund Raising	
Gifts-in-kind	\$ 3,028,941	\$ -	\$ -	\$ 3,028,941
Program support	19,793	-	-	19,793
Program development	10,800	1,200	-	12,000
Accounting fees	-	12,058	-	12,058
Auto expenses	8,160	2,040	-	10,200
Travel, conferences, and meetings	2,754	2,959	-	5,713
Depreciation	3,288	822	-	4,110
Website maintenance	2,640	660	-	3,300
Licenses and fees	-	2,697	-	2,697
Telephone	1,403	351	-	1,754
Insurance expense	1,297	324	-	1,621
Advertising	-	-	3,355	3,355
Office expense	1,216	304	-	1,520
Postage and shipping	1,149	287	-	1,436
Meals and entertainment	-	539	-	539
Bank fees	-	248	-	248
	<u>\$ 3,081,441</u>	<u>\$ 24,489</u>	<u>\$ 3,355</u>	<u>\$ 3,109,285</u>

See accompanying notes to financial statements

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2009

	Program Services	Supporting Services		Totals
		Management	Fund Raising	
Gifts-in-kind	\$ 1,439,177	\$ -	\$ -	\$ 1,439,177
Program support	121,000	-	-	121,000
Program development	28,058	3,118	-	31,176
Accounting fees	-	9,658	-	9,658
Website maintenance	2,559	640	-	3,199
Legal fees	-	2,145	-	2,145
Travel, conferences, and meetings	1,157	-	-	1,157
Telephone	916	229	-	1,145
Office expense	706	176	-	882
Postage and shipping	464	116	-	580
Bank fees	-	65	-	65
Licenses and fees	-	35	-	35
	<u>\$ 1,594,037</u>	<u>\$ 16,182</u>	<u>\$ -</u>	<u>\$ 1,610,219</u>

See accompanying notes to financial statements

CHILDREN'S EMERGENCY MEDICAL FUND, INC.

STATEMENTS OF CASH FLOWS

Years Ended September 30,

	<u>2010</u>	<u>2009</u>
<i>Cash Flows from Operating Activities</i>		
Cash received from donors and grants	\$ 82,759	\$ 148,819
Cash paid to suppliers	<u>(70,813)</u>	<u>(171,042)</u>
Net Cash Provided (Used) by Operating Activities	11,946	(22,223)
<i>Cash Flows from Investing Activities</i>		
Purchase of property and equipment	<u>(2,963)</u>	<u>(20,440)</u>
Net Cash (Used) by Investing Activities	<u>(2,963)</u>	<u>(20,440)</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	8,983	(42,663)
<i>Beginning Cash and Cash Equivalents</i>	<u>9,070</u>	<u>51,733</u>
<i>Ending Cash and Cash Equivalents</i>	<u><u>\$ 18,053</u></u>	<u><u>\$ 9,070</u></u>
<i>Reconciliation of Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:</i>		
(Decrease) in net assets	\$ (3,948)	\$ (63,431)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	4,110	-
Decrease in operating assets		
Pledges receivable	6,363	41,208
Increase in operating liabilities		
Accounts payable	<u>5,421</u>	<u>-</u>
<i>Net Cash Provided (Used) by Operating Activities</i>	<u><u>\$ 11,946</u></u>	<u><u>\$ (22,223)</u></u>

See accompanying notes to financial statements

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization reports in accordance with the American Institute of Certified Public Accountants Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations. The Organization reports adhere to the following accounting policies:

Corporate Organization

Children's Emergency Medical Fund, Inc. (the "Organization") is a nonprofit organization incorporated September 11, 2000 in the State of Arizona. The Organization is a human health and welfare organization whose major sectors of involvement are providing support to community medical clinics; nutritional training for women; children's vaccination programs; emergency food and medical assistance; children's cancer research and treatment.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its statement of Accounting Standards Codification (ASC). Under the Standards for the Financial Statements of Not-For-Profit Organizations the Organization is required to report 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. The Organization had no temporary or permanently restricted net assets to date.

Fair Value of Financial Instruments

The following methods and assumptions were used by Children's Emergency Medical Fund, Inc. in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Pledges receivable: Receivables are carried at net realizable value, which equals the principal outstanding less an allowance for uncollectible balances and the costs of collecting accounts.

The estimated fair values of Children's Emergency Medical Fund, Inc. financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 18,053	\$ 18,053
Pledges receivable	\$ 37,429	\$ 37,429

The Organization estimates that the fair value of all financial instruments at September 30, 2010, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statements of Financial Position.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue and Support Recognition

Support restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues of the current restricted fund when the Organization has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet expended are reported as temporarily restricted deferred revenue.

The Organization recognizes pledges as revenue under FASB ASC Not-For-Profit Entities: Revenue Recognition. Under the FASB ASC contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset in excess of \$500. Property and equipment is recorded at cost. Depreciation is recognized using the straight-line method over the assets' estimated five to seven year life.

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.

Income Taxes

The Organization is a public charity, nonprofit organization as defined in the Internal Revenue Code Section 501(c)(3) and is therefore exempt from federal and state income taxes.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 16, 2011.

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by the Organization's management.

Fair Value Measurement

The Organization measures the fair value of gift-in-kind revenues and expenses in accordance with FASB ASC, Fair Value Measurements and Disclosures. The standard provides a hierarchy for prioritizing inputs to valuation techniques:

- Level 1 - inputs are unadjusted quoted prices in active markets.
- Level 2 - inputs are observable market data, generally other than quoted prices.
- Level 3 - inputs are significant unobservable data.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Children's Emergency Medical Fund, Inc.'s gift in kind revenue and expenses as of September 30, 2010 and 2009 were measured at a wholesale fair value of \$3,028,941 and \$1,439,177, respectively, using level 3 inputs obtained from independent studies.

Gifts in Kind

The Organization records humanitarian donations of food, clothing and miscellaneous materials in accordance with industry standards which is in compliance with generally accepted accounting principles. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded at such time as the Organization distributes the goods for charitable purposes. All such donations are reported as increases in unrestricted net assets as the donor has not restricted the donated asset to a specific purpose and has given the Organization unilateral power to redirect the goods to another beneficiary. Donated materials for September 30, 2010 and 2009 were \$3,028,941 and \$1,439,177, respectively.

During the years ended September 30, 2010 and 2009, Children's Emergency Medical Fund, Inc. distributed approximately 2,019,294 and 959,451 pounds of donated food, respectively to member agencies (and other food banks). The distributed food is valued at \$1.50 per pound which amounts to \$3,028,941 and \$1,439,177 in 2010 and 2009, respectively. The Organization did not have any donated food on hand at September 30, 2010 and 2009.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended September 30, 2010 were \$3,355. There were no advertising costs for the year ended September 30, 2009.

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable consisted of the following for the years ended September 30:

	<u>2010</u>	<u>2009</u>
Federated Campaign Pledges	\$ 49,905	\$ 58,389
Less 25% shrinkage	(12,476)	(14,597)
	<u>\$ 37,429</u>	<u>\$ 43,792</u>

The allowance for shrinkage is an estimate based on historical performance, federation estimates and projected trends.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following for the years ended September 30:

	<u>2010</u>	<u>2009</u>
Machinery and Equipment	\$ 2,307	\$ -
Office Equipment	656	-
Vehicles	<u>20,440</u>	<u>20,440</u>
	23,403	20,440
Less Accumulated Depreciation	(4,110)	-
	<u>\$ 19,293</u>	<u>\$ 20,440</u>

Depreciation expense was \$4,110 for the year ended September 30, 2010. There was no depreciation expense for the year ended September 30, 2009.

NOTE D – CONCENTRATIONS

The Organization received 65% and 63% of their cash support in 2010 and 2009 from federated campaigns, respectively. Total cash contributions received from the campaign in 2010 and 2009 was \$50,999 and \$67,341, respectively. The Organization also received 100% of their gift-in-kind contributions in 2010 and 2009 from a single non-profit entity. Total gift-in-kind contributions received from this entity in 2010 and 2009 were \$3,028,941 and \$1,439,177, respectively. If this support does not continue in the future, there might be substantial doubt about the Organization's ability to continue as a going concern. Management believes this support will continue in the future, and if not the support can be replaced from other sources.

CHILDREN'S EMERGENCY MEDICAL FUND, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – SIGNIFICANT ACCOUNTING ESTIMATES

The Organization participates in the Combined Federal Campaign (CFC) in which federal employees are eligible to participate by selecting one or more charitable organizations to receive donations as a payroll deduction from the employee's compensation. The amount of pledges to eventually be collected is an estimate. The Organization estimates shrinkage of approximately 25% from what was pledged to what is eventually collected. Based on the history of the Organization and CFC, management believes this reduction reasonably states the true net value of what it will receive. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional adjustments that is possible.