

**CHILDREN OF BELLEVUE, INC.**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORTS**

**DECEMBER 31, 2017**

**CHILDREN OF BELLEVUE, INC.**

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## **Independent Auditor's Report on Financial Statements**

**Board of Directors  
Children of Bellevue, Inc.  
NYC Health + Hospitals**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Children of Bellevue, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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.

### ***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 and the *NYC Health + Hospitals' Operating Procedure No. 10-20*. 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 auditor's 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Children of Bellevue, Inc. as of December 31, 2017, 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.

***Emphasis of Matter***

As more fully discussed in Note 6 to the financial statements, the auxiliary restated the unrestricted and temporarily restricted net assets to correct the classification of those net assets. Our opinion is not modified in regard to this matter.

***Report on Summarized Comparative Information***

We have previously audited Children of Bellevue, Inc.'s December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2018 on our consideration of Children of Bellevue, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Children of Bellevue, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children of Bellevue, Inc.'s internal control over financial reporting and compliance.

*Loeb & Troper LLP*

June 13, 2018

## CHILDREN OF BELLEVUE, INC.

## STATEMENT OF FINANCIAL POSITION

**DECEMBER 31, 2017**  
**(With Summarized Financial Information**  
**for December 31, 2016)**

|   | <b>2017</b>  | <b>2016</b>       |
|---|--------------|-------------------|
|   |              | <b>(Restated)</b> |
|   |              | <b>(Note 6)</b>   |
| <b>ASSETS</b>   |              |                   |
| Cash and cash equivalents   | \$ 184,140   | \$ 185,188        |
| Investments (Note 2)  | 1,070,361    | 1,447,488         |
| Contributions receivable - current  | 398,560      | 437,795           |
| Accrued interest receivable   |              | 744               |
| Prepaid expenses and other assets   |              | 8,261             |
| Furniture and fixtures (net of accumulated depreciation<br>of \$25,131 and \$18,328 in 2017 and 2016, respectively) | 15,080       | 12,762            |
| Total assets  | \$ 1,668,141 | \$ 2,092,238      |
| <b>LIABILITIES AND NET ASSETS</b>   |              |                   |
| Liabilities   |              |                   |
| Accounts payable and accrued expenses (Note 4)  | \$ 351,615   | \$ 568,612        |
| Net assets (Exhibit B) (Note 6)   |              |                   |
| Unrestricted  | 586,205      | 879,197           |
| Temporarily restricted (Note 3)   | 730,321      | 644,429           |
| Total net assets  | 1,316,526    | 1,523,626         |
| Total liabilities and net assets  | \$ 1,668,141 | \$ 2,092,238      |

See independent auditor's report on financial statements.

The accompanying notes are an integral part of these statements.

## CHILDREN OF BELLEVUE, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017  
 (With Summarized Financial Information  
 for the Year Ended December 31, 2016)

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |                     |
|--|---------------------|-----------------------------------|---------------------|---------------------|
|  |                     |                                   | <u>2017</u>         | <u>2016</u>         |
| Revenues, gain (losses) and other support                    |                     |                                   |                     |                     |
| Contributions  | \$ 153,400          | \$ 598,116                        | \$ 751,516          | \$ 802,222          |
| Commissions  | 35,870              |                                   | 35,870              | 26,167              |
| Government grants  |                     | 2,035                             | 2,035               | 16,638              |
| Fundraising events   | 386,862             |                                   | 386,862             | 417,019             |
| Direct cost of fundraising events                            | (84,693)            |                                   | (84,693)            | (82,878)            |
| Interest and dividend income                                 | 7,786               |                                   | 7,786               | 38,470              |
| Net realized and unrealized gains<br>(losses) on investments | (118,558)           |                                   | (118,558)           | 47,898              |
| Contributed services   | 8,000               |                                   | 8,000               | 8,000               |
| Net assets released from restrictions<br>(Note 3)            | <u>514,259</u>      | <u>(514,259)</u>                  |                     |                     |
| Total revenues, gain (losses)<br>and other support           | <u>902,926</u>      | <u>85,892</u>                     | <u>988,818</u>      | <u>1,273,536</u>    |
| Expenses (Exhibit C)   |                     |                                   |                     |                     |
| Program services   | 952,691             |                                   | 952,691             | 1,044,551           |
| General and administrative                                   | 218,937             |                                   | 218,937             | 149,931             |
| Fundraising  | 24,290              |                                   | 24,290              | 117,752             |
| Total expenses   | <u>1,195,918</u>    |                                   | <u>1,195,918</u>    | <u>1,312,234</u>    |
| Change in net assets (Exhibit D)                             | <u>(292,992)</u>    | <u>85,892</u>                     | <u>(207,100)</u>    | <u>(38,698)</u>     |
| Net assets - beginning of year -<br>as previously reported   | (101,584)           | 1,625,210                         | 1,523,626           | 1,562,324           |
| Restatement (Note 6)   | <u>980,781</u>      | <u>(980,781)</u>                  |                     |                     |
| Net assets - beginning of year -<br>restated                 | <u>879,197</u>      | <u>644,429</u>                    | <u>1,523,626</u>    | <u>1,562,324</u>    |
| Net assets - end of year (Exhibit A)                         | <u>\$ 586,205</u>   | <u>\$ 730,321</u>                 | <u>\$ 1,316,526</u> | <u>\$ 1,523,626</u> |

See independent auditor's report on financial statements.

The accompanying notes are an integral part of these statements.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

|   | Program Services  |                   |                           |                                 |                    |                 | Supporting Services    |                            |                  |                                     | Total                     |                     |                     |
|---|-------------------|-------------------|---------------------------|---------------------------------|--------------------|-----------------|------------------------|----------------------------|------------------|-------------------------------------|---------------------------|---------------------|---------------------|
|   | Child Life        | Child Protection  | Video Interaction Program | Adolescent and Child Psychiatry | Reach Out and Read | Social Work     | Total Program Services | General and Administrative | Fundraising      | Direct Costs of Fund Raising Events | Total Supporting Services | 2017                | 2016                |
| Salaries and wages  | \$ 214,488        |                   |                           |                                 |                    |                 | \$ 214,488             | \$ 135,325                 |                  | \$ 135,325                          | \$ 349,813                | \$ 386,979          |                     |
| Payroll taxes and fringe benefits   | 110,369           |                   |                           |                                 |                    |                 | 110,369                | 27,184                     |                  | 27,184                              | 137,553                   | 126,957             |                     |
| Children's activities and trips   | 7,854             | \$ 986            |                           | \$ 47,270                       | \$ 7,494           | \$ 9,727        | 73,331                 |                            |                  |                                     | 73,331                    | 124,333             |                     |
| Professional fees   | 90,745            | 100,195           | \$ 305,759                | 31                              | 26,510             |                 | 523,240                | 37,053                     | \$ 6,667         |                                     | 43,720                    | 566,960             | 603,633             |
| Supplies  | 188               |                   | 5,896                     |                                 |                    |                 | 6,084                  | 720                        | 4,923            |                                     | 5,643                     | 11,727              | 21,247              |
| Printing and newsletter   | 400               |                   |                           |                                 |                    |                 | 400                    | 1,491                      | 1,699            |                                     | 3,190                     | 3,590               | 8,717               |
| Conferences   | 3,006             |                   |                           |                                 | 228                |                 | 3,234                  |                            |                  |                                     | 3,234                     | 2,633               |                     |
| Dues and subscriptions  |                   |                   |                           |                                 |                    |                 |                        | 3,777                      | 595              |                                     | 4,372                     | 4,372               | 4,442               |
| Payroll processing fees   |                   |                   |                           |                                 |                    |                 |                        |                            |                  |                                     |                           | 267                 |                     |
| Banking fees  |                   |                   |                           |                                 |                    |                 |                        | 441                        |                  |                                     | 441                       | 441                 | 5,984               |
| Insurance   |                   |                   |                           |                                 |                    |                 |                        | 1,163                      |                  |                                     | 1,163                     | 1,163               | 1,831               |
| Travel and transportation   | 1,740             | 88                | 6,798                     |                                 | 258                |                 | 8,884                  | 121                        | 296              |                                     | 417                       | 9,301               | 2,310               |
| Filing fees   |                   |                   |                           |                                 |                    |                 |                        | 2,500                      |                  |                                     | 2,500                     | 2,500               | 2,775               |
| Recruitment   |                   |                   |                           |                                 |                    |                 |                        | 92                         |                  |                                     | 92                        | 92                  | 272                 |
| Caterer, entertainment and facility rental  |                   |                   |                           |                                 |                    |                 |                        | 406                        | 10,110           | \$ 84,693                           | 95,209                    | 95,209              | 88,409              |
| Website   |                   |                   |                           |                                 |                    |                 |                        | 1,718                      |                  |                                     | 1,718                     | 1,718               | 3,405               |
| Other expenses  |                   |                   |                           |                                 | 12,661             |                 | 12,661                 | 143                        |                  |                                     | 143                       | 12,804              | 5,475               |
| Depreciation  |                   |                   |                           |                                 |                    |                 |                        | 6,803                      |                  |                                     | 6,803                     | 6,803               | 5,443               |
| <b>Total expenses</b>   | <b>428,790</b>    | <b>101,269</b>    | <b>318,453</b>            | <b>47,301</b>                   | <b>47,151</b>      | <b>9,727</b>    | <b>952,691</b>         | <b>218,937</b>             | <b>24,290</b>    | <b>84,693</b>                       | <b>327,920</b>            | <b>1,280,611</b>    | <b>1,395,112</b>    |
| Less expenses deducted directly from revenues on the statement of activities          |                   |                   |                           |                                 |                    |                 |                        |                            |                  |                                     |                           |                     |                     |
| Direct cost of fund-raising events  |                   |                   |                           |                                 |                    |                 |                        |                            |                  | (84,693)                            | (84,693)                  | (84,693)            | (82,878)            |
| <b>Total expenses reported by function on the statement of activities (Exhibit B)</b> | <b>\$ 428,790</b> | <b>\$ 101,269</b> | <b>\$ 318,453</b>         | <b>\$ 47,301</b>                | <b>\$ 47,151</b>   | <b>\$ 9,727</b> | <b>\$ 952,691</b>      | <b>\$ 218,937</b>          | <b>\$ 24,290</b> | <b>\$ -</b>                         | <b>\$ 243,227</b>         | <b>\$ 1,195,918</b> | <b>\$ 1,312,234</b> |

See independent auditor's report on financial statements.

The accompanying notes are an integral part of these statements.

**EXHIBIT D****CHILDREN OF BELLEVUE, INC.****STATEMENT OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2017 AND 2016**

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| Cash flows from operating activities  |                   |                   |
| Change in net assets (Exhibit B)  | \$ (207,100)      | \$ (38,698)       |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities |                   |                   |
| Depreciation  | 6,803             | 5,443             |
| Net realized and unrealized losses (gains) on investments   | 118,558           | (47,898)          |
| Decrease (increase) in assets   |                   |                   |
| Contributions receivable  | 39,235            | (7,750)           |
| Accrued interest receivable   | 744               | 243               |
| Prepaid expenses and other assets   | 8,261             | 4,126             |
| Increase (decrease) in liabilities  |                   |                   |
| Accounts payable and accrued expenses   | (216,997)         | 144,001           |
| Net cash provided (used) by operating activities  | <u>(250,496)</u>  | <u>59,467</u>     |
| Cash flows from investing activities  |                   |                   |
| Purchase of fixed assets  | (9,121)           | (18,205)          |
| Purchase of investments   | (849,815)         | (574,874)         |
| Proceeds from sale of investments   | <u>1,108,384</u>  | <u>561,697</u>    |
| Net cash provided (used) by investing activities  | <u>249,448</u>    | <u>(31,382)</u>   |
| Net change in cash and cash equivalents   | (1,048)           | 28,085            |
| Cash and cash equivalents - beginning of year   | <u>185,188</u>    | <u>157,103</u>    |
| Cash and cash equivalents - end of year   | <u>\$ 184,140</u> | <u>\$ 185,188</u> |

See independent auditor's report on financial statements.

The accompanying notes are an integral part of these statements.

**CHILDREN OF BELLEVUE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

**NOTE 1 - NATURE OF ORGANIZATION**

Children of Bellevue, Inc. (the "Auxiliary") was incorporated under the laws of New York State on February 10, 1949. The Auxiliary is a nonprofit organization providing services to enhance patient care of children and adolescents at Bellevue Hospital Center, Inc. (the "Facility").

The Auxiliary is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the New York State Estate Powers and Trust Law and has been designated as an organization that is not a private foundation. As such, no provision for income taxes has been made in the financial statements. The Auxiliary has not engaged in any transactions that would subject it to the unrelated business tax. In addition, the Auxiliary qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

The Auxiliary's primary sources of revenue are contributions and fund-raising events.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Auxiliary is presented to assist in understanding the Auxiliary's financial statements. These accounting policies have been consistently applied in the preparation of the financial statements.

***Basis of accounting*** - These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. As such, the financial statements have been prepared on the accrual basis of accounting.

***Use of 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 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*** - Cash and cash equivalents include investments in highly liquid instruments with maturities, when acquired, of three months or less.

***Investments*** - Investments are recorded at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could affect the amounts reported in the financial statements.

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**CHILDREN OF BELLEVUE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Contributions receivable*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

***Allowance for doubtful accounts*** - The Auxiliary determines whether an allowance for uncollectibles should be provided for contributions receivable. Such estimates are based on management's assessment of the aged basis of the receivable, current economic conditions, subsequent collections, and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Management has determined that no allowance is necessary as of December 31, 2017.

***Fixed assets*** - Fixed assets are recorded at cost. Depreciation is recorded on the straight-line method over their estimated useful lives of 5 years. Items with an estimated useful life of more than one year are capitalized. The cost of repairs and maintenance are expensed as incurred. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed and any resulting gain or loss is recognized in the statement of activities.

***Unrestricted net assets*** - Unrestricted net assets are those net assets which are not restricted by donors or for which the donor-imposed restrictions have expired.

***Temporarily restricted net assets*** - Temporarily restricted net assets are those whose use has been restricted by donors to a specific time period or purpose.

***Commissions*** - The Auxiliary is the beneficiary of a concessionaire's contract solely negotiated by the Facility and NYC Health + Hospitals. The monies collected are assigned to the Auxiliary by the Facility and NYC Health + Hospitals.

***Special events*** - The Auxiliary conducts a special event in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenue in the accompanying statement of activities.

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**CHILDREN OF BELLEVUE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The Auxiliary reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Contributed services** - Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation, are recorded at their fair value in the period the services are provided.

During 2017 and 2016, fees to certain professional organizations were paid by New York City Health + Hospitals; this donation related to accounting services and auditing fees which totaled \$8,000 in each of the years, and has been reflected on the statement of activities and functional expenses.

A substantial number of volunteers have donated significant amounts of time to the Auxiliary's program services; however, these donated services are not reflected in the financial statements, since they do not meet the recognition criteria for contributed services.

**Government grants, revenues and receivables** - Revenues and receivables from government agencies are recognized when earned. Expense-based grants are recognized as allowable expenses are incurred. Interest is not accrued or recorded on outstanding receivables.

**Functional allocation of expenses** - The cost of providing the Auxiliary's services has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Summarized financial information for 2016** - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class and functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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**CHILDREN OF BELLEVUE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements***

*Fair Value Measurements* establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Auxiliary has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 as compared to those used at December 31, 2016.

***Common stock and U.S. Government bonds*** - Valued at the closing price reported on the active market on which the individual securities are traded.

***Mutual funds*** - Valued at the net asset value (NAV) of shares held at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Auxiliary believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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## CHILDREN OF BELLEVUE, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Fair Value Measurements (continued)*

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2017:

|                            | <u>Level 1</u>      |
|----------------------------|---------------------|
| Common stock               |                     |
| Consumer Discretionary     | \$ 66,370           |
| Consumer Staples           | 86,997              |
| Energy                     | 30,962              |
| Financials                 | 78,034              |
| Health Care                | 63,227              |
| Industrials                | 59,856              |
| Information Technology     | 134,194             |
| Materials                  | 15,863              |
| Real Estate                | 3,629               |
| Telecommunication Services | 11,212              |
| Utilities                  | 7,296               |
| Others                     | <u>1,731</u>        |
| Total common stock         | <u>559,371</u>      |
| Mutual funds               |                     |
| Equities                   | 276,390             |
| Bonds                      | 46,928              |
| Fixed income               | <u>115,045</u>      |
| Total mutual funds         | <u>438,363</u>      |
| U.S. Government bonds      | <u>72,627</u>       |
|                            | <u>\$ 1,070,361</u> |

***Uncertainty in income taxes*** - The Auxiliary has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2014 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through June 13, 2018, which is the date the financial statements were available to be issued.

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**CHILDREN OF BELLEVUE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017****NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 are available for the following purposes:

|                           |                   |
|---------------------------|-------------------|
| Reach Out and Read        | \$ 258,363        |
| Video Interaction Program | 422,548           |
| Social Work               | <u>49,410</u>     |
|                           | <u>\$ 730,321</u> |

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of:

|                                 |                   |
|---------------------------------|-------------------|
| Child Life                      | \$ 86,944         |
| Child Protection                | 37,012            |
| Video Interaction Program       | 318,453           |
| Adolescent and Child Psychiatry | 14,918            |
| Reach Out and Read              | 47,205            |
| Social Work                     | <u>9,727</u>      |
|                                 | <u>\$ 514,259</u> |

**NOTE 4 - RELATED-PARTY TRANSACTIONS**

In 2017, the Auxiliary made payments which totaled \$362,556 to Bellevue Hospital Center, Inc., which is related through a common affiliation with the NYC Health + Hospitals, for salaries and fringe benefits as well as professional fees for various personnel (doctors, child life specialists, social workers, etc.) who provide care to children and their families.

As of December 31, 2017, due to Bellevue Hospital Center, Inc. was \$96,626, which is included in accounts payable and accrued expenses.

**NOTE 5 - CONTINGENCIES**

Some government grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, management deems the contingency remote.

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**CHILDREN OF BELLEVUE, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2017****NOTE 6 - RESTATEMENT**

The 2016 unrestricted and temporarily restricted net assets have been restated to correct for releases from restrictions from prior years which were not properly reported.



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

Independent Auditor's Report

**Board of Directors  
Children of Bellevue, Inc.  
NYC Health + Hospitals**

We have audited, in accordance with the 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, and the *NYC Health + Hospitals' Operating Procedure No. 10-20, Auxiliaries, November 2010*, the financial statements of Children of Bellevue, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Children of Bellevue, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children of Bellevue, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Children of Bellevue, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2017-001, that we consider to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Children of Bellevue, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and *NYC Health + Hospitals' Operating Procedure No. 10-20, Auxiliaries, November 2010*.

### ***Children of Bellevue, Inc.'s Response to Findings***

Children of Bellevue, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Children of Bellevue, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Loeb & Troper LLP*

June 13, 2018

**CHILDREN OF BELLEVUE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2017**

**2017-001 Restatements**

**Criteria**

The net assets should be released from temporarily restricted net assets as they meet the donor restrictions in accordance with GAAP.

**Condition**

Unrestricted and temporarily restricted net assets have been restated to correct for releases from restrictions from prior years which were not properly reported.

**Effect**

Temporarily restricted net assets were not properly released in prior years and the restricted funds balance was overstated and the unrestricted funds understated.

**Recommendation**

We recommended that the Auxiliary review the temporarily restricted net assets schedules for proper classification and verify that net assets releases are correctly recorded and reported.

**Children of Bellevue, Inc.'s Response**

The Auxiliary implemented tighter controls that includes a tracking mechanism of fund classification and review procedures to ensure that releases from temporarily restricted net assets are appropriate and that the releases are appropriately recorded and reported.