

OSMOND FOUNDATION FOR  
THE CHILDREN OF THE WORLD

2003 ANNUAL REPORT

FINANCIAL STATEMENTS FOR THE  
YEARS ENDED AUGUST 31, 2003 AND 2002 AND  
SUPPLEMENTAL SCHEDULE FOR 2003 AND  
INDEPENDENT AUDITORS' REPORT



## CHAIRMAN'S MESSAGE



*Charlie Amato*

Charlie Amato  
Chairman, Board of Trustees  
Children's Miracle Network

*Year after year Children's Miracle Network holds true to its core mission: to save and improve the lives of children by raising funds and awareness for children's hospitals across North America.*

*Each year Children's Miracle Network hospitals help millions of children—more than any other organization. Our 170 premier hospitals treat children with all types of afflictions such as cancer, muscular dystrophy, AIDS, diabetes, heart disease, and serious injuries. These non-profit hospitals, which depend on community support, provide charity care worth billions every year.*

*Thanks to caring corporate sponsors, media partners, and individual donors, Children's Miracle Network hospitals are able to provide the highest level of care. Funds raised benefit children and the communities they live in through patient services, medical equipment, health education and prevention programs, and ongoing research.*

*As always, Children's Miracle Network pledges that donors' contributions go to their Children's Miracle Network hospital. This founding pledge has set us apart from other organizations and continues to do so today.*

# BOARD OF TRUSTEES

## CHAIRMAN

Charlie Amato  
Chairman  
SOUTHWEST BUSINESS CORPORATION

## VICE CHAIR/CHAIR ELECT

Jim Dearth, MD  
CEO  
THE CHILDREN'S HOSPITAL AND HEALTH SYSTEM

## IMMEDIATE PAST CHAIRMAN

Jon E. Vice  
President  
CHILDREN'S HEALTH SYSTEM OF WISCONSIN, INC.

## TREASURER/SECRETARY

Tom Sargent  
President  
FIRST TECHNOLOGY CREDIT UNION

## CHAIR OF ETHICS COMMITTEE

Dianna Morgan

## BOARD MEMBERS

Jimmy Alexander  
VP, Human Resources  
Ace Hardware

Dori Biester, PhD.  
President & CEO  
THE CHILDREN'S HOSPITAL

Carolynn Bond  
Community Affairs Director,  
Liaison to Children's Miracle Network  
RE/MAX

Richard Bucciarelli, MD  
Vice President for Government Relations  
UNIVERSITY OF FLORIDA

David B. Gillig  
Senior VP/Executive Director  
CHILDREN'S HOSPITAL FOUNDATION, SAN DIEGO

Robert E. Hawkins  
Dean of Arts  
ST. FRANCIS XAVIER UNIVERSITY

David E. Krause  
Senior VP for Development  
CHILDREN'S MEDICAL CENTER OF DALLAS

Patrick M. Magoon  
President and CEO  
Children's Memorial Hospital

Lissa A. McAnarney, MD  
Professor and Chair Dept. Pediatrics  
GOLISANO CHILDREN'S HOSPITAL

Jimmy Osmond  
Osmond Family Theater

Marie Osmond  
CO-FOUNDER

John Schneider  
CO-FOUNDER

Jeff Smith  
Sr. Vice President and General Counsel  
WALT DISNEY WORLD COMPANY

Michael White  
President & CEO  
Foresters



## MISSION STATEMENT

"The mission of Children's Miracle Network is to generate funds and awareness programs for the benefit of children and its member hospitals."

## OFFICERS

Mick Shannon  
President & CEO

Scott J. Burt  
Executive Vice President & COO

## INDEPENDENT AUDITORS' REPORT



To the Board of Trustees of  
Osmond Foundation For the Children of the World  
(dba Children's Miracle Network):

We have audited the accompanying statements of financial position of Osmond Foundation For the Children of the World (the Foundation) (dba Children's Miracle Network) as of August 31, 2003 and 2002, and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation at August 31, 2003 and 2002, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses for the year ended August 31, 2003 is presented for the purpose of additional analysis and is not a required part of the basic 2003 financial statements. This schedule is the responsibility of the Foundation's management. Such supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic 2003 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2003 financial statements taken as a whole.

Deloitte & Touche LLP  
Salt Lake City, Utah  
November 7, 2003

OSMOND FOUNDATION FOR THE CHILDREN OF THE WORLD  
(DBA CHILDREN'S MIRACLE NETWORK)STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2003 AND 2002

ASSETS	2003	2002
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$12,216,097	\$9,010,230
Investments-at fair value	9,819,913	7,676,512
Accounts receivable (net of allowance for doubtful accounts of \$270,699 in 2003 and \$254,949 in 2002)	1,981,242	1,925,255
Prepaid expenses and other assets	6,074	450,747
<b>PROPERTY AND EQUIPMENT - Net</b>	<b>1,271,470</b>	<b>852,408</b>
<b>NON-CURRENT ASSETS:</b>		
Long-term portion of accounts receivable		504,798
Prepaid premiums on life insurance contracts	282,918	329,852
<b>TOTAL ASSETS</b>	<b>\$25,577,714</b>	<b>\$20,749,802</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>ACCOUNTS PAYABLE</b>	<b>\$2,311,990</b>	<b>\$1,196,166</b>
<b>PAYABLE TO PARTICIPATING HOSPITALS</b>	<b>8,558,303</b>	<b>6,171,932</b>
<b>DEFERRED REVENUE</b>	<b>3,878,852</b>	<b>3,055,219</b>
<b>OTHER LIABILITIES</b>	<b>490,510</b>	<b>400,459</b>
Total liabilities	15,239,655	10,823,776
<b>NET ASSETS:</b>		
Unrestricted	10,336,128	9,928,420
Temporarily restricted	16,122	16,122
Cumulative translation adjustment	(14,191)	(18,516)
Total net assets	10,338,059	9,926,026
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$25,577,714</b>	<b>\$20,749,802</b>

See notes to financial statements.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002

	2003	2002
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>		
Hospital fees	\$4,941,307	\$4,530,753
Production underwriting gifts	6,557,244	5,634,573
Interest and dividends	426,457	686,576
Direct mail	2,600,311	4,202,321
Donations-in-kind	1,055,659	1,163,688
Net realized and unrealized gain (loss) on investments	348,900	(831,273)
Other	629,744	544,468
Total revenues, gains, and other support	16,559,622	15,931,106

	2003	2002
<b>EXPENSES AND LOSSES:</b>		
<b>Program services:</b>		
Public education	\$ 4,174,712	\$ 4,144,829
Network support / professional education	8,351,673	8,273,598
Community services	1,969,822	1,933,127
Total program services	14,496,207	14,351,554
<b>Support services:</b>		
Fund raising	1,045,972	1,321,885
General and administrative	609,735	628,455
Total support services	1,655,707	1,950,340
Total expenses and losses	16,151,914	16,301,894
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>407,708</b>	<b>(370,788)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>9,926,026</b>	<b>10,288,905</b>
<b>CHANGE IN AGGREGATE ADJUSTMENT RESULTING FROM THE TRANSLATION OF FOREIGN CURRENCY STATEMENTS</b>	<b>4,325</b>	<b>7,909</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$10,338,059</b>	<b>\$9,926,026</b>

See notes to financial statements.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$407,708	\$(370,788)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on sale of fixed assets	8,863	5,003
Depreciation	190,285	114,364
Net unrealized (gain) loss on investments	(1,246,756)	639,636
Change in:		
Accounts receivable	(55,987)	(772,238)
Prepaid expenses and other assets	444,673	40,917
Accounts payable	1,606,334	334,619
Payable to participating hospitals	2,386,371	(13,557,042)
Deferred revenue	823,633	1,199,229
Other liabilities	(400,459)	(8,086)
Net cash provided by (used in) operating activities	4,164,665	(12,374,386)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Purchases) sales of investments, net	(896,645)	3,249,549
Payments on notes receivable	504,798	150,000
Purchases of property and equipment	(618,210)	(118,138)
Decrease in prepaid premiums on life insurance contracts	46,934	46,429
Net cash provided by (used in) investing activities	(963,123)	3,327,840
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>4,325</b>	<b>7,909</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,205,867</b>	<b>(9,038,637)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>9,010,230</b>	<b>18,048,867</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$12,216,097</b>	<b>\$9,010,230</b>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2003 AND 2002

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**—Osmond Foundation For the Children of the World (the Foundation) (dba Children's Miracle Network) is a charitable organization, qualified under Section 501(c)(3) of the United States Internal Revenue Code, organized for the purposes of:

- (1) Making distributions to other charitable organizations.
- (2) Fund raising for the benefit of sick and injured children and youth, including treatment, health care research, and acquisition of health care equipment and supplies.
- (3) Generating awareness programs concerning the health care needs of children and youth and the institutions and people who care for them.
- (4) Generating educational programs to promote good health care practices for children and youth, and to educate the public in health care needs and practices of children and youth and of the institutions and people who provide health care to children and youth.

The Foundation's principal method of raising awareness and of supporting fund raising for nonprofit children's hospitals is Children's Miracle Network Celebration, a television special, which is broadcast at the end of each year's campaign. Contributions solicited throughout the annual campaign and through Children's Miracle Network Celebration are generally received by Children's Miracle Network, acting as an agent, and then paid to the participating hospitals. The Foundation has no discretionary variance power over the distribution of such contributions and, in accordance with Statement of Financial Accounting Standards No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, such contributions are not reflected in the Foundation's financial statements. The Foundation's campaign year is January 1 through December 31. Contributions are to be distributed to participating hospitals no later than March 31 of the subsequent year.

To participate in an upcoming year's fund-raising and awareness campaign, hospitals license the use of the Children's Miracle Network name and logo. They become sole Children's Miracle Network licensees in their respective markets; the funds raised within these markets benefit the hospital's pediatric programs. Corporate sponsors need not become licensees; however, they are generally required to donate all of the funds they raise to hospitals affiliated with Children's Miracle Network.

The Foundation's operational activities are supported by hospital fees, corporate underwriting, and fund-raising activities. Management identifies and allocates direct costs to the applicable categories noted below. Management also allocates expenses to the following categories based upon estimated percentages of the resources expended:

- **Public Education**—The Foundation develops, produces, broadcasts, and promotes awareness programming concerning the health, welfare, and development needs of children.
- **Network Support/Professional Education**—The Foundation develops national corporate sponsors to raise funds for participating hospitals. The Foundation also provides resources and assistance to hospitals for raising funds for the benefit of sick and injured children; that benefit includes treatment (charity care), health care research, and acquisition of health care equipment and supplies.
- **Community Services**—The Foundation develops, produces, and presents community education programs and makes these programs available to participating hospitals and other community-based institutions that promote the sound health, safety, and development of children and youth.

**Revenues** - Unconditional promises to give to the Foundation are recognized as revenues and assets of the Foundation.

**Deferred Revenue** - Cash received in connection with licensing fees received from hospitals is deferred and amortized to hospital fees over the one-year license period.

**Donations-in-kind** - Donations-in-kind include hotel accommodations and airfare. In-kind donations are accounted for at estimated fair value as both revenues when donated and expenses when utilized.

**Basis of Accounting** - The financial statements of the Foundation have been prepared on the accrual basis of accounting. The underlying accounting of the Foundation is maintained in accordance with the principles of fund accounting. These principles require that the resources of the Foundation be classified into groups or funds in accordance with activities or objectives specified for the resources.

The net assets of the funds of the Foundation have been classified into three categories: Unrestricted, Temporarily Restricted, and Permanently Restricted. These categories are determined based on restrictions placed upon resources provided to the Foundation by donors or others. Unrestricted net assets are available to be used by the Foundation because either contributions or other revenues were received without restriction or donor restrictions have expired. When a donor 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 are reported in the statement of activities as net assets released from restrictions. As of August 31, 2003, the Foundation has not received any resources which have been permanently restricted by the donor. During the years ended August 31, 2003 and 2002, all significant activities of the Foundation relate to unrestricted funds.

**Investments** - Investments are stated at fair value as generally determined by quoted market prices. Investment income is recorded in the statements of activities.

**Property and Equipment** - Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at its estimated fair value at the date of donation. Depreciation is calculated on the straight-line basis over the following estimated useful lives (in years).

Buildings and improvements	3-30
Furniture and equipment	3-8

**Prepaid Premiums on Life Insurance Contracts** - The Foundation has purchased life insurance contracts on the lives of certain donors to the Foundation. Under such contracts, the Foundation would receive a death benefit if the donors were to die plus any prepaid premium the Foundation may have made under the contract. Such prepaid premiums are charged to expense as premiums under the contract when due and are refundable to the Foundation in the event that the contracts are canceled.

**Income Taxes** - The Foundation has received a favorable determination letter from the Internal Revenue Service and is exempt from taxation. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

**Foreign Currency Translation** - The accounts of the Foundation's Canadian office are translated into U.S. dollars in the accompanying financial statements. Assets and liabilities are translated at rates prevailing at the balance sheet date. Revenues, expenses, gains, and losses are translated at a weighted average rate for the period. Transactions are translated at the rate prevailing as of the transaction date. Cumulative translation adjustments are recorded as an adjustment to net assets in a separate translation adjustment account.

The following financial information relating to the Canadian office has been included in the 2003 and 2002 financial statements (U.S. dollars):

	2003	2002
Assets	\$1,372,250	\$178,629
Liabilities	3,199,866	1,701,579
Revenues, gains, and other support	598,186	486,389
Excess of expenses and losses over revenues, gains, and other support	105,993	57,194

**Use of Estimates in Preparing Financial Statements** - 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. The estimate which is particularly susceptible to change relates to the allowance for doubtful accounts. Actual results could differ from the estimate.

**Statements of Cash Flows** - The Foundation considers cash and short-term investments with original maturities of three months or less to be cash equivalents.

## 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at August 31, 2003 and 2002:

	2003	2002
Cash on hand	\$3,489	\$3,458
Demand deposits and NOW accounts	8,733,684	6,099,428
Wells Fargo Money Market account	1,629,432	1,682,749
Commercial paper	1,849,492	1,224,595
Total	<u>\$12,216,097</u>	<u>\$9,010,230</u>

## 3. INVESTMENTS

Investments, at fair value, consist of the following at August 31, 2003 and 2002:

	2003	2002
Mutual funds	\$4,470,984	\$4,056,526
U.S. Government securities	1,768,928	1,037,407
Corporate bonds	1,556,403	782,943
Mortgage securities	522,896	597,701
Municipal bonds	<u>1,500,702</u>	<u>1,201,935</u>
	<u>\$9,819,913</u>	<u>\$7,676,512</u>

Investment income was approximately \$426,000 and \$686,000 during the years ended August 31, 2003 and 2002, respectively, and net unrealized gains (losses) were approximately \$1,247,000 and \$(640,000), respectively. Realized gains (losses) for the years ended August 31, 2003 and 2002 were approximately \$(898,000) and \$(191,000), respectively.

## 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2003 and 2002:

	2003	2002
Land	\$180,000	\$180,000
Building and improvements	711,278	708,944
Furniture and equipment	1,123,558	579,079
	2,014,836	1,468,023
Less accumulated depreciation	<u>(743,366)</u>	<u>(615,615)</u>
Property and equipment - net	<u>\$1,271,470</u>	<u>\$852,408</u>

## 5. LINE OF CREDIT

The Foundation maintains a line of credit with a bank which is secured by certain marketable securities held in the custody of the bank. The line of credit provides a credit limit of up to the lesser of (1) \$4,000,000 and (2) seventy percent (70.0%) of the collateral value as determined by the bank. The line of credit expires December 31, 2003. Interest is accrued at a variable rate equal to .50% below the bank's prime rate.

## 6. LEASES

The Foundation leases certain of its property under long-term operating leases. Future minimum lease payments required under these agreements are as follows as of August 31, 2003:

For the years ending August 31:	
2004	\$32,610
2005	34,155
2006	35,699
2007	32,972
2008 and thereafter	<u>55,454</u>
Total	<u>\$190,890</u>

Certain of the leases have options to renew beyond their initial term. Rental expense for operating leases was approximately \$35,000 and \$34,000 for the years ended August 31, 2003 and 2002, respectively.

## 7. EMPLOYEE BENEFIT PLANS

The Foundation has a noncontributory defined contribution employee pension plan. The plan covers all employees who have completed at least one year of service and are 21 years of age. The plan provides for a scheduled vesting of up to 20% a year beginning after two years of service.

The Foundation has a Supplemental Executive Retirement Plan which is a money purchase plan. The Plan covers a select group of management and/or highly compensated employees. The plan provides for cliff-vesting when the individual reaches a certain age and remains employed by the Foundation.

Expense is determined in accordance with a formula and for the years ended August 31, 2003 and 2002 was approximately \$696,293 and \$566,064, respectively, for both plans.

## 8. LITIGATION

The Foundation is involved in litigation and claims arising in the ordinary course of its operations. The Foundation's management believes that the liabilities, if any, arising from such litigation and claims will have no material adverse effect on the Foundation's financial statements.

\* \* \* \* \*

## SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED AUGUST 31, 2003

Description	Program Service			Support Services		
	Public Education	Network Support/ Professional Education	Community Services	Fund Raising	General and Administrative	Total
Travel	\$1,040,318	\$1,242,930	\$406,525	\$71,246	\$38,281	\$2,799,300
Employment costs	1,167,889	3,331,624	655,459	281,919	370,605	5,807,496
Equipment rent and maintenance	14,795	13,061	7,010	647	2,667	38,180
Contracted services	1,197,475	587,498	660,859	16,255	31,543	2,493,630
Advertising and promotion	97,667	25,591	12,301	889	4,786	141,234
Printing and photography	101,855	139,937	22,916	4,916	3,238	272,862
Sponsorship support	101,228	815,252	87,103	56,525	12,032	1,072,140
Program support	211,185	1,341,026		549,082	10,559	2,111,852
Occupancy and utilities	8,816	33,600	5,608	1,202	3,959	53,185
Telephone	34,095	73,155	15,436	5,738	4,178	132,602
Depreciation	8,372	98,025		17,724	66,164	190,285
Professional fees	43,964	98,906	36,001	6,326	46,291	231,488
Insurance	28,812	19,399	17,030	2,121	3,358	70,720
Licenses and fees	4,346	17,125	1,733	3,452	2,193	28,849
Postage and shipping	31,282	112,904	15,074	6,138	2,873	168,271
Supplies	62,741	79,927	25,682	4,000	6,814	179,164
Purchases	17,552	315,929		17,552		351,033
Other	2,320	5,784	1,085	240	194	9,623
TOTAL	<u>\$4,174,712</u>	<u>\$8,351,673</u>	<u>\$1,969,822</u>	<u>\$1,045,972</u>	<u>\$609,735</u>	<u>\$16,151,914</u>



4525 South 2300 East  
Salt Lake City, Utah 84117  
801-278-8900  
FAX 801-277-8787

4220 Steeles Ave. West, Suite C18  
Woodbridge, Ontario L4L 3S8  
905-265-9750  
FAX 905-265-9749  
[www.cmn.org](http://www.cmn.org)