

CHILDREN'S MEDICAL RESEARCH INSTITUTE

Audited Financial Statements

March 31, 2011

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CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Children's Medical Research Institute

We have audited the accompanying Statements of Financial Position of Children's Medical Research Institute as of March 31, 2011 and 2010, and the related Statements of Activities and Changes in Net Assets and Cash Flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 audits 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, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of Children's Medical Research Institute as of March 31, 2011 and 2010, 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.

Smith, Carney & Co., P.C.

Oklahoma City, Oklahoma
August 8, 2011

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 SMITH, CARNEY & CO., P.C.

STATEMENTS OF FINANCIAL POSITION

CHILDREN'S MEDICAL RESEARCH INSTITUTE

	March 31,	
	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 665,146	\$ 672,272
Investments	1,273,528	1,239,808
Pledges receivable, net of unamortized discount	1,770,201	653,316
Prepaid expenses	3,379	8,900
Fixed assets, net	20,564	22,809
Beneficial interest in assets held by others	<u>60,657</u>	<u>56,450</u>
	<u>\$3,793,475</u>	<u>\$2,653,555</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable	\$ 24,119	\$ 4,320
Accrued liabilities	59,213	63,584
Payroll liabilities	3,700	3,626
Deferred revenues	11,458	163,800
Long-term debt	<u>2,915,963</u>	<u>4,165,963</u>
Total Liabilities	<u>3,014,453</u>	<u>4,401,293</u>
 <u>Net Assets (Deficit)</u>		
Unrestricted	(1,279,739)	(2,562,245)
Temporarily restricted	2,016,558	772,304
Permanently restricted	42,203	42,203
	<u>779,022</u>	<u>(1,747,738)</u>
	<u>\$3,793,475</u>	<u>\$2,653,555</u>

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

CHILDREN'S MEDICAL RESEARCH INSTITUTE

	Year Ended March 31, 2011			Year Ended March 31, 2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenues</u>					
CMN Campaign	\$ 1,484,973	\$ -	\$ -	\$1,484,973	\$ 1,239,677
Funded chairs	-	1,600	-	1,600	14,585
Restricted contributions	-	1,603,442	-	1,603,442	241,410
Grants	-	7,864	-	7,864	13,536
General contributions	975,002	-	-	975,002	523,602
In-kind contributions	-	194,906	-	194,906	106,501
In-kind CMN contributions	-	159,500	-	159,500	197,500
Investment income	41,653	6,763	-	48,416	62,017
Net assets released from restrictions	<u>729,821</u>	<u>(729,821)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,231,449</u>	<u>1,244,254</u>	<u>-</u>	<u>4,475,703</u>	<u>2,398,828</u>
<u>Expenses</u>					
Fund-raising	516,411	-	-	516,411	523,247
Research funding, grants	17,074	-	-	17,074	57,568
Program services	1,304,489	-	-	1,304,489	1,283,712
Management and general	<u>110,969</u>	<u>-</u>	<u>-</u>	<u>110,969</u>	<u>131,539</u>
	<u>1,948,943</u>	<u>-</u>	<u>-</u>	<u>1,948,943</u>	<u>1,996,066</u>
<u>CHANGES IN NET ASSETS</u>	<u>1,282,506</u>	<u>1,244,254</u>	<u>-</u>	<u>2,526,760</u>	<u>402,762</u>
<u>NET ASSETS (DEFICIT)</u>					
<u>AT BEGINNING OF YEAR</u>	<u>(2,562,245)</u>	<u>772,304</u>	<u>42,203</u>	<u>(1,747,738)</u>	<u>(2,150,500)</u>
<u>NET ASSETS (DEFICIT)</u>					
<u>AT END OF YEAR</u>	<u>\$(1,279,739)</u>	<u>\$2,016,558</u>	<u>\$42,203</u>	<u>\$ 779,022</u>	<u>\$(1,747,738)</u>

See Independent Auditors' Report
and Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

CHILDREN'S MEDICAL RESEARCH INSTITUTE

	For The Year Ended March 31,	
	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$2,526,760	\$402,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,693	6,918
Loss on disposal	455	-
(Increase) decrease in:		
Pledges receivable	(1,116,885)	49,051
Prepaid expenses	5,521	(7,786)
Beneficial interest in assets held by OCCF	(4,207)	(10,777)
Increase (decrease) in:		
Accounts payable	19,799	(11,427)
Accrued liabilities	(4,297)	(8,037)
Deferred revenues	(152,342)	79,521
Net Cash Provided By Operating Activities	<u>1,286,497</u>	<u>500,225</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of investments	(1,273,528)	(206,275)
Proceeds from sale of investments	1,239,808	178,002
Purchase of fixed assets	(9,903)	-
Net Cash Used By Investing Activities	<u>(43,623)</u>	<u>(28,273)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payments on long-term debt	(1,250,000)	(600,000)
Net Cash Used By Financing Activities	<u>(1,250,000)</u>	<u>(600,000)</u>
Net Decrease In Cash And Cash Equivalents	(7,126)	(128,048)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>672,272</u>	<u>800,320</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 665,146</u>	<u>\$672,272</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid for interest	<u>\$ 156,935</u>	<u>\$156,153</u>

See Independent Auditors' Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: Children's Medical Research Institute ("CMRI"), local affiliate of Children's Miracle Network, was founded in 1983 and is the only not-for-profit organization in Oklahoma to provide private support exclusively for pediatric research and education. Its mission is to improve the health of children through its support of research and education at the Oklahoma Health Center, which is located in Oklahoma City, Oklahoma. CMRI's hallmark is that 100 percent of funds raised remain in Oklahoma. CMRI's programs are made possible through the efforts of a dedicated volunteer board and thousands of community volunteers. Through endowments and direct support, CMRI offers community education on children's health issues and supports efforts to recruit leading pediatric physician-scientists to direct research as well as treat patients and train medical students.

Basis of Accounting: The accompanying financial statements of CMRI have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standard Codification 958 ("ASC 958") formerly, Statement of Financial Accounting Standards ("SFAS") No. 116, *Accounting for Contributions Received and Contributions Made*, No. 117, *Financial Statements of Not-for-Profit Organizations*, and No. 136, *Transfers of Assets to Not-for-Profit Organizations or Charitable Trust That Raises or Holds Contributions for Others*.

Under ASC 958, CMRI is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted: Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted: Net assets whose use by CMRI is subject to donor-imposed restrictions that may or will be met either by actions of CMRI and/or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes In Net Assets as net assets released from restrictions.

Permanently Restricted: Net assets subject to donor-imposed restrictions requiring that they be maintained permanently by CMRI. Generally, the donors of these assets permit CMRI to use all or part of the income earned on any related investments for general or specific purposes.

Contributions received are reported as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. CMRI reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished,

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents: For the purpose of the Statements of Cash Flows, CMRI considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Investments are recorded at fair value, based on quoted market prices, and realized and unrealized gains and losses are reflected in the Statements of Activities and Changes in Net Assets. Investment income is recorded as earned. As of March 31, 2011 and 2010, investments consisted of certificates of deposit and were valued at \$1,273,528 and \$1,239,808, respectively.

Pledges and Contributions Receivable: Pledges and contributions are recorded as revenues when received or upon receipt of an unconditional promise to give. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. CMRI had conditional pledges receivable of approximately \$250,000 at both March 31, 2011 and 2010. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible receivables is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity. As of March 31, 2011 and 2010, management did not consider such an allowance necessary.

Fixed Assets: Fixed assets are recorded at cost as of the date of acquisition if purchased or fair value as of the date of receipt in the case of gifts. Depreciable assets sold, retired, or otherwise disposed of are removed from the asset and accumulated depreciation accounts and any gains or losses are recorded in the period of disposal. Repairs and maintenance, which do not extend the useful life of fixed assets, are charges to expense as incurred. Depreciation is determined using a method which approximates the straight-line method over an estimated useful life of the assets.

Functional Allocation of Expenses: Costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes In Net Assets. Costs are allocated between program services, fund-raising, and management and general based on evaluations of the related activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of CMRI.

Income Taxes: CMRI, a not-for-profit charitable corporation, as defined in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal income taxation pursuant to Section 501(a) of the Code.

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

On April 1, 2010, the Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the Oklahoma Tax Commission. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at March 31, 2011.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2008.

Use of Estimates: In conformity with accounting principles generally accepted in the United States of America, management makes 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 as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Investment Risk: Financial instruments, which potentially subject CMRI to investment risk, consist of cash and cash equivalents and investments. CMRI maintains its cash balances in high-credit quality financial institutions. From time-to-time, CMRI's cash and cash equivalents may exceed federally insured limits. It has been CMRI's practice to invest in high-quality investments for short periods of time in an effort to limit investment risk.

Comparative Data: The financial statements include certain 2010 comparative information in total, but not by net asset classification, which is presented only to facilitate financial analysis. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CMRI's financial statements for the year ended March 31, 2010.

Fair Value Measurements: On April 1, 2008, CMRI adopted FASB Accounting Standards Codification 820 ("ASC 820") formerly, Statement of Financial Accounting Standards No. 157, with respect to financial assets and liabilities. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value under ASC 820 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs that are derived principally from or corroborated by observable market data; and
- Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities subject to ASC 820 include investments and beneficial interest in assets held by others.

NOTE B--CONTRIBUTIONS MADE ON BEHALF OF CMRI

CMRI follows the requirements of the FASB Accounting Standards Codification 958 (ASC 958), formerly Statement of Financial Accounting Standards No. 136, *Transfers of Assets from a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. This statement requires a specified beneficiary to recognize its rights to contributions held on its behalf by a recipient organization as an asset, unless the donor has explicitly granted the recipient organization variance power. Variance power is defined as the unilateral power to redirect the use of the assets to another beneficiary. The standard also states that variance power does not exist for the contributions to the fund made directly by the recipient organization, specifying itself as beneficiary, as these are considered reciprocal transfers.

Certain investments held by the Oklahoma City Community Foundation ("OCCF") are designated to benefit CMRI. The Board of Trustees of the OCCF makes investment decisions, and income earned on the investments is paid to CMRI on a basis determined by the OCCF. The principal amount of the investments, which is the value of the original amount donated by various contributors, cannot be distributed without the approval of OCCF. A portion of the investment held by OCCF was transferred directly by CMRI to OCCF. CMRI designated itself as beneficiary. ASC 958, therefore, requires CMRI to recognize this amount as an asset. At March 31, 2011 and 2010, the balance was \$60,657 and \$56,450, respectively.

CMRI has not recorded the remaining value of investments held by OCCF in the accompanying Statements of Financial Position, as OCCF has variance power over these assets. At March 31, 2011 and 2010, the market value of the entire fund maintained at OCCF was \$210,124 and \$195,499, respectively.

NOTE C--PLEDGES RECEIVABLE

Pledges receivable at March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Receivable in less than one year	\$ 844,010	\$259,544
Receivable in one to five years	<u>1,025,000</u>	<u>450,000</u>
Total Pledges Receivable	1,869,010	709,544

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE C--PLEDGES RECEIVABLE--Continued

	<u>2011</u>	<u>2010</u>
Less: Discounts to net present value based on imputed interest rate of 5%	<u>(98,809)</u>	<u>(56,228)</u>
Net Pledges Receivable	<u>\$1,770,201</u>	<u>\$653,316</u>

NOTE D--FIXED ASSETS

Fixed assets at March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Furniture & equipment	\$62,224	\$ 99,652
Website	16,529	8,834
Leasehold improvements	<u>4,304</u>	<u>4,304</u>
Total Fixed Assets	83,057	112,790
Less: Accumulated depreciation	<u>(62,493)</u>	<u>(89,981)</u>
Fixed Assets, Net	<u>\$20,564</u>	<u>\$ 22,809</u>

Depreciation expense for the years ended March 31, 2011 and 2010 was \$11,693 and \$6,918, respectively.

NOTE E--TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Endowed chairs	\$ 21,100	\$ 1,100
Funded projects	153,975	163,185
CMRI excellence campaign	551,837	-
Unrestricted pledges receivable	1,271,191	593,771
OCCF fund earnings (undistributed)	<u>18,455</u>	<u>14,248</u>
	<u>\$2,016,558</u>	<u>\$772,304</u>

NOTE F--PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at March 31, 2011 and 2010 include the corpus of the Oklahoma City Community Foundation Investment, which was \$42,203 for both 2011 and 2010. The interest earnings from the corpus of the fund are part of temporarily restricted net assets.

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE G--EXPENSES BREAKDOWN

The following is a breakdown of expenses for fund-raising, management and general, and program services for the years ended March 31, 2011 and 2010.

	<u>Fund-raising</u>	<u>Management and General</u>	<u>Program Services</u>
<u>2011:</u>			
Salaries and benefits	\$ 87,919	\$ 80,593	\$ 564,146
Rent and utilities	8,385	6,813	37,208
CMN participation fees	46,760	-	46,760
Advertising and promotions	32,974	-	72,883
Program development	36,212	5,450	251,021
Administrative and office	8,113	18,113	36,423
In-kind expenses	177,203	-	177,203
Special events expense	<u>118,845</u>	<u>-</u>	<u>118,845</u>
Total Expenses	<u>\$516,411</u>	<u>\$110,969</u>	<u>\$1,304,489</u>
<u>2010:</u>			
Salaries and benefits	\$116,133	\$103,762	\$ 563,490
Rent and utilities	9,046	7,350	40,141
CMN participation fees	46,777	-	46,777
Advertising and promotions	38,489	-	83,203
Program development	34,334	4,894	244,405
Administrative and office	7,850	15,533	35,079
In-kind expenses	152,001	-	152,000
Special events expense	<u>118,617</u>	<u>-</u>	<u>118,617</u>
Total Expenses	<u>\$523,247</u>	<u>\$131,539</u>	<u>\$1,283,712</u>

NOTE H--LEASE OBLIGATIONS

CMRI leases its office space for approximately \$3,000 a month. During 2007, the lease was extended through February, 2012. CMRI also pays a monthly fee for use of the building's parking facilities. Rental expense for the years ended March 31, 2011 and 2010 was \$43,337 and \$50,968, respectively. Future minimum annual lease payments as of March 31, 2011 are as follows:

2012 \$32,732

NOTE I--LONG-TERM DEBT

In June, 2008, CMRI entered into a loan agreement with a financial institution. Under the terms of the agreement, CMRI received loan proceeds in the amount of \$5,129,000, which CMRI then used to establish additional endowed chairs. The loan matured on June 30, 2010 and was extended to June 30, 2011 with interest payments due on a quarterly basis at the *Wall Street Journal Prime Rate*. The loan is secured by existing and future pledges received by CMRI in connection with the Endowed Chair Program.

The loan agreement requires mandatory prepayments from time-to-time in the amount of pledges funded by donors, and in the amount of CMRI's profit and loss reported at the end of each fiscal year. At March 31, 2011, the balance of the

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE I--LONG-TERM DEBT--Continued

loan was \$2,915,963. Interest expense for the years ended March 31, 2011 and 2010 was \$154,747 and \$151,375, respectively.

In June, 2011, CMRI extended the \$2,415,963 current amount of the loan with the financial institution. The loan matures on June 30, 2012, with interest payments due on a quarterly basis at the greater of the *Wall Street Journal Prime Rate* or 4%.

NOTE J--EMPLOYEE BENEFIT PLAN

CMRI sponsors a voluntary defined contribution plan which covers all employees who work more than 24 hours per week. Matching contributions to the plan are at the discretion of CMRI and all employer contributions vest immediately. Expenses relating to this plan were approximately \$19,000 for both years ended March 31, 2011 and 2010.

NOTE K--FAIR VALUE MEASUREMENTS

CMRI uses quoted market prices to determine the fair value of an asset or liability when available. If quoted market prices are not available, CMRI determines fair value using valuation techniques that use market-based or independently-sourced market data, such as interest rates.

The following methods and assumptions were used to estimate the fair value of assets and liabilities in the financial statements.

Cash and Cash Equivalents: The carrying amount approximates fair value due to the short maturity of such amounts.

Investments: The carrying amount of certificates of deposit is based on interest rates and the remaining term of the certificates.

Pledges Receivable: The carrying amount of receivables is based on the discounted value of expected cash flows, which approximates fair value.

Beneficial Interest in Assets Held by Others: The carrying amount represents CMRI's proportionate share of the total value of the assets included in OCCF's general investment pool.

Accounts Payable and Other Liabilities: The carrying amount approximates fair value due to the short maturity of those amounts.

Assets and liabilities measured at fair value on a recurring basis are classified within the fair value hierarchy as follows:

NOTES TO FINANCIAL STATEMENTS--Continued

CHILDREN'S MEDICAL RESEARCH INSTITUTE

March 31, 2011

NOTE K--FAIR VALUE MEASUREMENTS--Continued

	As of March 31, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>ASSETS</u>				
Investments	\$ -	\$1,273,528	\$ -	\$1,273,528
Beneficial interest in assets held by others	-	60,657	-	60,657
	<u>\$ -</u>	<u>\$1,334,185</u>	<u>\$ -</u>	<u>\$1,334,185</u>
	As of March 31, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>ASSETS</u>				
Investments	\$ -	\$1,239,808	\$ -	\$1,239,808
Beneficial interest in assets held by others	-	56,450	-	56,450
	<u>\$ -</u>	<u>\$1,296,258</u>	<u>\$ -</u>	<u>\$1,296,258</u>

Following is a description of methodologies used for instruments measured at fair value on a recurring basis:

Investments: Investments consist of certificates of deposit which are classified as Level 2.

Beneficial interest in assets held by others: Fair value of the beneficial interest in assets held by others is determined by a third party, using the fair value of the underlying investment pool assets. These assets are valued on quoted market prices when available. If quoted market prices are not available, fair values are estimated using observable market inputs. Beneficial interest in assets held by others is classified as Level 2 within the hierarchy.

NOTE L--SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 8, 2011, the date which the financial statements were available for issue. The extension of the loan at NOTE I is the only material subsequent event that occurred through that date that would have an impact on these financial statements.