

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**

**FINANCIAL STATEMENTS  
JUNE 30, 2010 and 2009**

# INTERNATIONAL CHILDREN'S HEART FOUNDATION

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**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
International Children's Heart Foundation

I have audited the accompanying statements of financial position of International Children's Heart Foundation (a non-profit organization) as of June 30, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

Memphis, TN  
January 17, 2011

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash and equivalents - unrestricted	\$ 94,299	\$ 72,830
Endowment fund	-	30,000
Medical supplies inventories	245,109	387,626
Total current assets	<u>339,408</u>	<u>490,456</u>
 <b>PROPERTY AND EQUIPMENT:</b>		
Medical equipment	327,113	277,440
Furniture and equipment	71,438	64,882
Total property and equipment, at cost	398,551	342,322
Less accumulated depreciation	94,645	96,472
Property and equipment - net	<u>303,906</u>	<u>245,850</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$643,314</u></u>	 <u><u>\$ 736,306</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 5,211	\$ 15,199
Payroll taxes payable	191	-
Total current liabilities	<u>5,402</u>	<u>15,199</u>
 <b>NET ASSETS:</b>		
Temporarily restricted	240,266	43,808
Unrestricted	397,646	677,299
Total net assets	<u>637,912</u>	<u>721,107</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$643,314</u></u>	 <u><u>\$ 736,306</u></u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

<u>CHANGES IN NET ASSETS</u>	<u>2010</u>
<u>REVENUES:</u>	<u>TOTAL</u>
<b>Fundraising Activities:</b>	
Contributions and grants	\$ 1,619,636
Contributions - in-kind - medical services	-
Contributions - in-kind - medical supplies	3,077,350
Special events	510,705
	<u>40,973</u>
Total fundraising activities	5,248,664
<b>Program services</b>	106,284
<b>Investment</b>	228
<b>TOTAL REVENUES</b>	<u>5,355,176</u>
<b>SATISFACTION OF PROGRAM RESTRICTIONS</b>	<u>(3,391,597)</u>
<b>EXPENSES:</b>	
Program services	4,987,857
General and administrative	260,073
Fundraising	190,441
<b>TOTAL EXPENSES</b>	<u>5,438,371</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(279,653)</u>
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<u>721,107</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 397,646</u>
	<u>\$ 240,266</u>
	<u>\$ 637,912</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

<u>CHANGES IN NET ASSETS</u> <u>REVENUES:</u>	<u>2009</u> <u>TOTAL</u>
<b>Fundraising Activities:</b>	
Contributions and grants	\$ 1,022,903
Contributions - in-kind - medical services	2,542,875
Contributions - in-kind - medical supplies	539,535
Special events	161,765
Total fundraising activities	<u>4,267,078</u>
<b>Program services</b>	112,951
<b>Investment</b>	2,442
<b>TOTAL REVENUES</b>	<u>4,382,471</u>
<b>SATISFACTION OF PROGRAM RESTRICTIONS</b>	<u>(3,144,452)</u>
<b>EXPENSES:</b>	
Program services	4,036,873
General and administrative	188,617
Fundraising	159,221
<b>TOTAL EXPENSES</b>	<u>4,384,711</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(2,240)</u>
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<u>723,347</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 43,808</u> <u>\$ 721,107</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in net assets	\$ (83,195)	\$ (2,240)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,467	20,324
Donated goods and services, net of amounts expended	130,550	(102)
Cash provided (used) by changes assets and liabilities:		
Accounts payable	(9,988)	(3,455)
Payroll taxes payable	191	-
Net cash provided (used) by operating activities	<u>58,025</u>	<u>14,527</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Decrease in Endowment fund	(30,000)	-
Purchase of Equipment	<u>(6,556)</u>	<u>(2,197)</u>
Net cash provided (used) by investing activities	(36,556)	(2,197)
<b>NET INCREASE (DECREASE) IN CASH</b>	21,469	12,330
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>72,830</u>	<u>60,500</u>
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	<u>\$ 94,299</u>	<u>\$ 72,830</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>		
<b>DONATED GOODS AND SERVICES RECEIVED:</b>		
Medical supplies inventories	\$ 499,455	\$ 528,285
Medical services	3,077,350	2,542,875
Rent - warehouse	<u>11,250</u>	<u>11,250</u>
Total donated goods and services received	3,588,055	3,082,410
Less donated goods and services expended	<u>3,457,505</u>	<u>3,082,512</u>
<b>TOTAL DONATED GOODS AND SERVICES, NET OF AMOUNTS EXPENDED</b>	<u>\$ 130,550</u>	<u>\$ (102)</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

	<u>Program</u>	<u>Management</u>		<u>Total</u>
	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Expenses</u>
Accounting	\$ -	\$ 5,000	\$ -	\$ 5,000
Advertising	-	-	7,060	7,060
Books and subscriptions	639	1,581	555	2,775
Computer software	201	498	175	874
Conferences - travel	10,443	-	-	10,443
Contract services	4,640	11,500	4,035	20,175
Credit card	-	-	2,764	2,764
Development expenses	3,991	-	-	3,991
Fundraising special events	-	-	29,808	29,808
Insurance	5,733	8,155	3,777	17,665
Insurance - group	40,679	8,234	10,068	58,981
Medical contract services	44,049	-	-	44,049
Medical services	3,077,350	-	-	3,077,350
Medical travel	636,636	-	-	636,636
Medical supplies	766,109	-	-	766,109
Medical - other	22,266	-	-	22,266
Meetings and banquets	-	3,850	-	3,850
Memberships	-	5,172	-	5,172
Office supplies	5,293	16,625	4,603	26,521
Postage	-	2,942	6,866	9,808
Printing	-	6,211	14,495	20,706
Rent - office	5,856	18,392	5,092	29,340
Rent - warehouse	11,250	-	-	11,250
Salaries and benefits	328,624	169,382	98,408	596,414
Telephone	4,449	2,224	2,224	8,897
Total functional expenses before depreciation	<u>4,968,209</u>	<u>259,766</u>	<u>189,930</u>	<u>5,417,904</u>
Depreciation	<u>19,648</u>	<u>307</u>	<u>512</u>	<u>20,467</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 4,987,857</u></b>	<b><u>\$ 260,073</u></b>	<b><u>\$ 190,441</u></b>	<b><u>\$ 5,438,371</u></b>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2009**

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Expenses</u>
Accounting	\$ -	\$ 5,000	\$ -	\$ 5,000
Advertising	-	-	3,624	3,624
Books and subscriptions	386	956	335	1,678
Computer software	147	364	128	638
Conferences - travel	17,141	-	-	17,141
Contract services	6,054	15,004	5,265	26,323
Credit card	-	-	2,608	2,608
Fundraising special events	-	-	53,283	53,283
Insurance	5,849	8,319	3,853	18,021
Insurance - group	29,081	5,886	7,197	42,164
Medical contract services	8,120	-	-	8,120
Medical services	2,542,875	-	-	2,542,875
Medical travel	533,809	-	-	533,809
Medical supplies	601,577	-	-	601,577
Medical - other	30,122	-	-	30,122
Meetings and banquets	-	1,797	-	1,797
Memberships	-	2,472	-	2,472
Office supplies	5,184	16,283	4,509	25,976
Photography	-	-	-	-
Postage	-	617	1,439	2,056
Printing	-	2,136	4,984	7,120
Rent - office	5,024	15,780	4,369	25,173
Rent - warehouse	11,250	-	-	11,250
Salaries and benefits	215,672	111,163	64,584	391,420
Telephone	5,071	2,535	2,535	10,140
Total functional expenses before depreciation	<u>4,017,362</u>	<u>188,312</u>	<u>158,713</u>	<u>4,364,387</u>
Depreciation	<u>19,511</u>	<u>305</u>	<u>508</u>	<u>20,324</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 4,036,873</u></b>	<b><u>\$ 188,617</u></b>	<b><u>\$ 159,221</u></b>	<b><u>\$ 4,384,711</u></b>

See accompanying notes.

# **INTERNATIONAL CHILDREN'S HEART FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2010 AND 2009**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The International Children's Heart Foundation is a non-profit corporation dedicated to providing life saving medical care for children born with heart disease, without respect to the child's race, color, nationality or religion.

#### **Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **Medical Supplies Inventory**

Medical supplies are donated by various hospitals, U.S. medical corporations, and doctors' clinics for use in providing medical care to children born with heart disease. The inventory is recorded at its wholesale fair market value at the time of donation.

#### **Fair Value of Financial Instruments**

The carrying amounts of the Foundation's financial instruments, consisting of cash, marketable securities and inventory, approximate their fair market value.

#### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, the Foundation has elected to show restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

#### **In-Kind Donations**

The Foundation records various types of in-kind donations received in the course of daily operations, including contributed equipment, professional services, supplies and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. These values are included in the accompanying financial statements as in-kind donations and offsetting expenses. The value of any in-kind donation received, but not yet expended, is capitalized and is recognized on the statement of financial position as medical supplies inventory.

# **INTERNATIONAL CHILDREN'S HEART FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

### **Property and Equipment**

Property and equipment is capitalized at cost. Depreciation is provided principally on the straight line basis over estimated useful lives ranging from three to seven years.

### **Income Taxes**

The Foundation is exempt from federal income taxes under the provisions of Section (501)(c)(3) of the internal Revenue Code and is similarly exempt from Tennessee taxes under the provisions of the Tennessee Tax Code.

### **Use of Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities of the Foundation are summarized on a functional basis in the statement of activities. Accordingly, certain costs are allocated among the programs and supporting services benefited.

### **Advertising expenditures**

All advertising is expensed as incurred.

## **2. CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash in various commercial banks and with various investment brokers. Accounts maintained in commercial banks are guaranteed, in aggregate, by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. At June 30, 2010 the Foundation did not exceed the limit.