

INTERNATIONAL CHILDREN'S HEART FOUNDATION

**FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006**

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, 2007 and 2006 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, 2007 and 2006 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 14, 2008

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
CURRENT ASSETS:		
Cash and equivalents - unrestricted	\$ 40,258	\$ 34,463
Investments - CD's	75,000	-
Medical supplies inventories	<u>529,963</u>	<u>479,905</u>
Total current assets	<u>645,221</u>	<u>514,368</u>
 PROPERTY AND EQUIPMENT:		
Medical equipment	224,492	323,692
Furniture and equipment	<u>61,330</u>	<u>57,498</u>
Total property and equipment, at cost	285,822	381,190
Less accumulated depreciation	<u>136,269</u>	<u>155,356</u>
Property and equipment - net	<u>149,553</u>	<u>225,834</u>
 TOTAL ASSETS	 <u><u>\$794,774</u></u>	 <u><u>\$ 740,202</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 45,790	\$ 5,286
Payroll taxes payable	<u>10,513</u>	<u>-</u>
Total current liabilities	<u>56,303</u>	<u>5,286</u>
 NET ASSETS:		
Temporarily restricted	52,209	54,298
Unrestricted	<u>686,262</u>	<u>680,618</u>
Total net assets	<u>738,471</u>	<u>734,916</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$794,774</u></u>	 <u><u>\$ 740,202</u></u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

<u>CHANGES IN NET ASSETS REVENUES:</u>	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>2007 TOTAL</u>
Fundraising Activities:			
Contributions and grants	\$ 442,558	\$ 200,000	\$ 642,558
Contributions - in-kind - medical services	-	1,585,509	1,585,509
Contributions - in-kind - medical supplies	-	392,627	392,627
Special events	62,091	-	62,091
Total fundraising activities	504,649	2,178,136	2,682,785
Program services	159,466	-	159,466
Investment	2,601	-	2,601
TOTAL REVENUES	666,716	2,178,136	2,844,852
SATISFACTION OF PROGRAM RESTRICTIONS	2,180,225	(2,180,225)	-
EXPENSES:			
Program services	2,616,501	-	2,616,501
General and administrative	127,328	-	127,328
Fundraising	97,468	-	97,468
TOTAL EXPENSES	2,841,297	-	2,841,297
INCREASE (DECREASE) IN NET ASSETS	5,644	(2,089)	3,555
NET ASSETS, BEGINNING OF PERIOD	680,618	54,298	734,916
NET ASSETS, END OF PERIOD	\$ 686,262	\$ 52,209	\$ 738,471

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

<u>CHANGES IN NET ASSETS REVENUES:</u>	<u>2006 TOTAL</u>
Fundraising Activities:	
Contributions and grants	\$ 455,267
Contributions - in-kind - medical services	- 1,295,460
Contributions - in-kind - medical supplies	- 374,359
Special events	52,363
Total fundraising activities	2,177,449
Program services	116,232
Investment	181
TOTAL REVENUES	2,293,862
SATISFACTION OF PROGRAM RESTRICTIONS	- (1,951,177)
EXPENSES:	
Program services	2,094,782
General and administrative	87,170
Fundraising	107,651
TOTAL EXPENSES	2,289,603
INCREASE (DECREASE) IN NET ASSETS	285,617 (281,358) 4,259
NET ASSETS, BEGINNING OF PERIOD	395,001 335,656 730,657
NET ASSETS, END OF PERIOD	\$ 680,618 \$ 54,298 \$ 734,916

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 3,555	\$ 4,259
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	27,965	21,981
Donated goods and services, net of amounts expended	2,090	4,953
Cash provided (used) by changes assets and liabilities:		
Accounts payable	40,504	(15,945)
Payroll taxes payable	10,513	-
Net cash provided (used) by operating activities	<u>84,627</u>	<u>15,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of CD's	(75,000)	-
Purchase of Equipment	(3,832)	-
Net cash used by investing activities	<u>(78,832)</u>	-
NET INCREASE (DECREASE) IN CASH	5,795	15,248
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>34,463</u>	<u>19,215</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 40,258</u>	<u>\$ 34,463</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:		
DONATED GOODS AND SERVICES RECEIVED:		
Medical supplies inventories	\$ 1,574,259	\$ 1,283,809
Medical services	381,377	374,359
Rent - warehouse	<u>11,250</u>	<u>11,250</u>
Total donated goods and services received	1,966,886	1,669,418
Less donated goods and services expended	<u>1,964,796</u>	<u>1,664,465</u>
TOTAL DONATED GOODS AND SERVICES, NET OF AMOUNTS EXPENDED	<u>\$ 2,090</u>	<u>\$ 4,953</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2007**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Accounting	\$ -	\$ 5,000	\$ -	\$ 5,000
Advertising	-	-	2,818	2,818
Books and subscriptions	304	751	263	1,318
Cable	-	-	-	-
Computer software	90	223	78	391
Conferences - travel	10,700	-	-	10,700
Contract services	566	1,402	492	2,460
Credit card	-	-	2,168	2,168
Fundraising special events	-	-	17,654	17,654
Insurance	4,988	7,096	3,286	15,370
Insurance - group	18,968	3,839	4,695	27,502
Medical contract services	27,900	-	-	27,900
Medical services	1,585,509	-	-	1,585,509
Medical travel	330,018	-	-	330,018
Medical supplies	434,705	-	-	434,705
Medical - other	19,287	-	-	19,287
Meetings and banquets	-	3,230	-	3,230
Memberships	-	2,002	-	2,002
Office supplies	4,079	12,811	3,547	20,437
Photography	-	-	-	-
Postage	-	3,990	9,311	13,301
Printing	-	2,971	6,933	9,904
Rent - office	4,128	12,964	3,590	20,682
Rent - warehouse	11,250	-	-	11,250
Salaries and benefits	132,870	68,485	39,789	241,144
Telephone	4,292	2,145	2,145	8,582
Total functional expenses before depreciation	<u>2,589,654</u>	<u>126,909</u>	<u>96,769</u>	<u>2,813,332</u>
Depreciation	<u>26,847</u>	<u>419</u>	<u>699</u>	<u>27,965</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,616,501</u>	<u>\$ 127,328</u>	<u>\$ 97,468</u>	<u>\$ 2,841,297</u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2006

	<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	-	-	2,277	2,277
Books and subscriptions	419	1,038	364	1,821
Cable	-	-	-	-
Computer software	113	280	98	491
Conferences - travel	2,237	-	-	2,237
Contract services	400	991	348	1,739
Credit card	-	-	2,156	2,156
Fundraising special events	-	-	56,731	56,731
Insurance	2,108	2,999	1,389	6,496
Insurance - group	10,037	2,032	2,484	14,553
Medical contract services	-	-	-	-
Medical services	1,295,460	-	-	1,295,460
Medical travel	256,578	-	-	256,578
Medical supplies	396,275	-	-	396,275
Medical - other	4,064	-	-	4,064
Meetings and banquets	-	1,553	-	1,553
Memberships	-	567	-	567
Office supplies	3,746	11,765	3,257	18,768
Photography	-	-	662	662
Postage	-	1,111	2,593	3,704
Printing	-	1,835	4,282	6,117
Rent - office	4,128	12,964	3,590	20,682
Rent - warehouse	11,250	-	-	11,250
Salaries and benefits	82,581	42,564	24,729	149,874
Telephone	4,285	2,141	2,141	8,567
Total functional expenses before depreciation	<u>2,073,681</u>	<u>86,840</u>	<u>107,101</u>	<u>2,267,622</u>
Depreciation	<u>21,101</u>	<u>330</u>	<u>550</u>	<u>21,981</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 2,094,782</u></u>	<u><u>\$ 87,170</u></u>	<u><u>\$ 107,651</u></u>	<u><u>\$ 2,289,603</u></u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2007 AND 2006

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, 2007 the Foundation exceeded the limit by \$18,560.

3. LONG TERM LEASE

The Foundation leases a copier under an operating lease.

Future obligations over the primary terms of the Foundation's long-term leases as of June 30, 2007, are as follows:

<u>Year end</u>	<u>Amount</u>
June 30, 2008	3,876
June 30, 2009	<u>2,261</u>
	<u>\$ 6,137</u>