

INTERNATIONAL CHILDREN'S HEART FOUNDATION

**FINANCIAL STATEMENTS
JUNE 30, 2008 and 2007**

INTERNATIONAL CHILDREN'S HEART FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

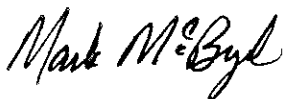
The Board of Directors
International Children's Heart Foundation

I have audited the accompanying statements of financial position of International Children's Heart Foundation (a non-profit organization) as of June 30, 2008 and 2007 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, 2008 and 2007 and 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.

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules, as listed in the foregoing table of contents for the years ended June 30, 2008 and 2007, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Memphis, TN
March 12, 2009

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash and equivalents - unrestricted	\$ 60,500	\$ 40,258
Investments - CD's	-	75,000
Endowment fund	30,000	-
Medical supplies inventories	<u>527,689</u>	<u>529,963</u>
Total current assets	<u>618,189</u>	<u>645,221</u>
 PROPERTY AND EQUIPMENT:		
Medical equipment	192,492	224,492
Furniture and equipment	<u>62,685</u>	<u>61,330</u>
Total property and equipment, at cost	255,177	285,822
Less accumulated depreciation	<u>131,365</u>	<u>136,269</u>
Property and equipment - net	<u>123,812</u>	<u>149,553</u>
 TOTAL ASSETS	 <u><u>\$742,001</u></u>	 <u><u>\$ 794,774</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,654	\$ 45,790
Payroll taxes payable	-	10,513
Total current liabilities	<u>18,654</u>	<u>56,303</u>
 NET ASSETS:		
Temporarily restricted	55,850	52,209
Unrestricted	<u>667,497</u>	<u>686,262</u>
Total net assets	<u>723,347</u>	<u>738,471</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$742,001</u></u>	 <u><u>\$ 794,774</u></u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	2008		
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
CHANGES IN NET ASSETS			
REVENUES:			
Fundraising Activities:			
Contributions and grants	\$ 659,344	\$ 250,000	\$ 909,344
Contributions - in-kind - medical services	-	1,763,430	1,763,430
Contributions - in-kind - medical supplies	-	419,975	419,975
Special events	119,296	-	119,296
Total fundraising activities	778,640	2,433,405	3,212,045
Program services	154,068	-	154,068
Investment	2,713	-	2,713
TOTAL REVENUES	<u>935,421</u>	<u>2,433,405</u>	<u>3,368,826</u>
SATISFACTION OF PROGRAM RESTRICTIONS	2,429,764	<u>(2,429,764)</u>	-
EXPENSES:			
Program services	3,058,147	-	3,058,147
General and administrative	170,185	-	170,185
Fundraising	155,618	-	155,618
TOTAL EXPENSES	<u>3,383,950</u>	<u>-</u>	<u>3,383,950</u>
INCREASE (DECREASE) IN NET ASSETS	(18,765)	3,641	(15,124)
NET ASSETS, BEGINNING OF PERIOD	686,262	52,209	738,471
NET ASSETS, END OF PERIOD	<u>\$ 667,497</u>	<u>\$ 55,850</u>	<u>\$ 723,347</u>

See accompanying notes.

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

	<u>2007</u>		
	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
<u>CHANGES IN NET ASSETS</u>			
REVENUES:			
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	<u>666,716</u>	<u>2,178,136</u>	<u>2,844,852</u>
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	<u>2,841,297</u>	<u>-</u>	<u>2,841,297</u>
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	<u>\$ 686,262</u>	<u>\$ 52,209</u>	<u>\$ 738,471</u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (15,124)	\$ 3,555
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,761	27,965
Donated goods and services, net of amounts expended	7,609	2,090
Cash provided (used) by changes assets and liabilities:		
Accounts payable	(27,136)	40,504
Payroll taxes payable	(10,513)	10,513
Net cash provided (used) by operating activities	<u>(23,403)</u>	<u>84,627</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from (Purchase of) CD's	75,000	(75,000)
Increase in Endowment fund	(30,000)	-
Purchase of Equipment	<u>(1,355)</u>	<u>(3,832)</u>
Net cash provided (used) by investing activities	43,645	(78,832)
 NET INCREASE (DECREASE) IN CASH	20,242	5,795
 CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>40,258</u>	<u>34,463</u>
 CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 60,500</u>	<u>\$ 40,258</u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:		
DONATED GOODS AND SERVICES RECEIVED:		
Medical supplies inventories	\$ 408,725	\$ 1,574,259
Medical services	1,763,430	381,377
Rent - warehouse	<u>11,250</u>	<u>11,250</u>
Total donated goods and services received	2,183,405	1,966,886
Less donated goods and services expended	<u>2,175,796</u>	<u>1,964,796</u>
TOTAL DONATED GOODS AND SERVICES, NET OF AMOUNTS EXPENDED	<u>\$ 7,609</u>	<u>\$ 2,090</u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2008

	<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	1,750	-	4,256	6,006
Books and subscriptions	396	978	343	1,717
Computer software	409	1,015	356	1,780
Conferences - travel	25,451	-	-	25,451
Contract services	3,867	9,585	3,363	16,815
Credit card	-	-	3,296	3,296
Fundraising special events	-	-	48,940	48,940
Insurance	6,055	8,612	3,988	18,655
Insurance - group	34,967	7,078	8,654	50,699
Medical contract services	34,882	-	-	34,882
Medical services	1,763,430	-	-	1,763,430
Medical travel	409,938	-	-	409,938
Medical supplies	528,216	-	-	528,216
Medical - other	22,005	-	-	22,005
Meetings and banquets	-	3,610	-	3,610
Memberships	-	939	-	939
Office supplies	5,206	16,352	4,528	26,086
Photography	-	-	3	3
Postage	-	3,191	7,445	10,636
Printing	-	4,186	9,769	13,955
Rent - office	4,472	14,045	3,888	22,405
Rent - warehouse	11,250	-	-	11,250
Salaries and benefits	180,687	93,131	54,108	327,926
Telephone	4,275	2,137	2,137	8,549
Total functional expenses before depreciation	<u>3,037,256</u>	<u>169,859</u>	<u>155,074</u>	<u>3,362,189</u>
Depreciation	<u>20,891</u>	<u>326</u>	<u>544</u>	<u>21,761</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 3,058,147</u></u>	<u><u>\$ 170,185</u></u>	<u><u>\$ 155,618</u></u>	<u><u>\$ 3,383,950</u></u>

See accompanying notes.

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

	<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	-	-	2,818	2,818
Books and subscriptions	304	751	263	1,318
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><u>\$ 2,616,501</u></u>	<u><u>\$ 127,328</u></u>	<u><u>\$ 97,468</u></u>	<u><u>\$ 2,841,297</u></u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

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, 2008 the Foundation did not exceed the limit.

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, 2008, are as follows:

<u>Year end</u>	<u>Amount</u>
June 30, 2009	<u>2,261</u>
	<u>\$ 2,261</u>

INTERNATIONAL CHILDREN'S HEART FOUNDATION

**SUPPLEMENTAL SCHEDULE OF REVENUES
YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CONTRIBUTIONS AND GRANTS:		
Church donations	\$ -	\$ 450
Corporate contributions	80,350	28,318
Direct mail	56,567	33,615
Federal Grant	250,000	200,000
Federated campaigns	71,777	49,219
Foundation grants	354,398	239,889
Individual contributions	47,111	58,013
Other	11,543	861
Website donations	37,598	32,193
Total contributions and grants	<u>909,344</u>	<u>642,558</u>
IN-KIND DONATIONS:		
Medical supplies inventories	408,725	381,377
Rent - warehouse	11,250	11,250
Services	<u>1,763,430</u>	<u>1,585,509</u>
Total in-kind donations	<u>2,183,405</u>	<u>1,978,136</u>
SPECIAL EVENTS:		
Architects Party	24,189	49,065
A Taste of Cuba	55,421	8,131
Cardiac Outreach Conference	6,000	-
Hilton Hollis	6,638	-
Third party events	13,455	2,420
Trevor Romain Preparty & Show	4,396	-
Wine Dinner	3,657	2,475
Other	<u>5,540</u>	<u>-</u>
Total fundraising - special events	<u>119,296</u>	<u>62,091</u>
PROGRAM SERVICES:		
International contracts	<u>154,068</u>	<u>159,466</u>
INVESTMENT INCOME		
	<u>2,713</u>	<u>2,601</u>
TOTAL REVENUE	<u>\$ 3,368,826</u>	<u>\$ 2,844,852</u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION

**SUPPLEMENTAL SCHEDULE OF SELECTED PROGRAM SERVICES EXPENSES
YEAR ENDED JUNE 30, 2008**

	<u>Medical Contract Services</u>	<u>Medical Donated Services</u>	<u>Medical Travel</u>	<u>Medical Supplies</u>	<u>Other</u>	<u>Total</u>
Afghanistan trips	\$ 32,082	\$ -	\$ -	\$ -	\$ -	\$ 32,082
Belarus trips	1,850	295,125	85,657	117,321	9,993	509,946
Bosnia trips	-	-	-	-	45	45
China trips	-	385,350	44,574	18,690	3,972	452,586
Columbia trips	-	-	1,826	24,103	38	25,967
Dominican Republic trips	-	580,530	77,525	224,462	194	882,711
Honduras trips	-	-	690	4,265	-	4,955
Morocco trips	-	117,225	5,151	9,688	69	132,133
Nicaragua trips	950	145,500	15,706	88,722	1,775	252,653
Pakistan trips	-	130,200	106,660	17,159	5,460	259,479
Palestine trips	-	-	743	-	13	756
Russia trips	-	-	24,754	3,026	181	27,961
Ukrain trips	-	109,500	46,652	20,780	265	177,197
TOTAL SELECTED PROGRAM SERVICES EXPENSES	<u>\$ 34,882</u>	<u>\$ 1,763,430</u>	<u>\$ 409,938</u>	<u>\$ 528,216</u>	<u>\$ 22,005</u>	<u>\$ 2,758,471</u>

INTERNATIONAL CHILDREN'S HEART FOUNDATION

**SUPPLEMENTAL SCHEDULE OF SELECTED PROGRAM SERVICES EXPENSES
YEAR ENDED JUNE 30, 2007**

	<u>Medical Contract Services</u>	<u>Medical Donated Services</u>	<u>Medical Travel</u>	<u>Medical Supplies</u>	<u>Other</u>	<u>Total</u>
Afghanistan	\$ 21,750	\$ -	\$ -	\$ -	\$ -	\$ 21,750
Belarus trips	1,150	347,700	79,634	100,730	6,763	535,977
China trips	-	324,000	74,296	47,070	9,959	455,325
Columbia trips	-	-	4,094	90,422	355	94,871
Croatia trips	-	-	-	-	-	-
Dominican Republic trips	-	228,900	39,617	124,202	86	392,805
India trips	-	-	-	-	-	-
Iraq	5,000	-	-	-	-	5,000
Nicaragua trips	-	193,809	15,317	14,549	670	224,345
Palestine	-	-	731	-	-	731
Pakistan trips	-	357,000	112,596	17,315	1,454	488,365
Peru trips	-	-	-	-	-	-
Sudan trips	-	107,850	3,733	38,678	-	150,261
Ukrain trips	-	26,250	-	1,739	-	27,989
TOTAL SELECTED PROGRAM SERVICES EXPENSES	<u>\$ 27,900</u>	<u>\$ 1,585,509</u>	<u>\$ 330,018</u>	<u>\$ 434,705</u>	<u>\$ 19,287</u>	<u>\$ 2,397,419</u>

See accompanying notes.