

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**

**FINANCIAL STATEMENTS  
JUNE 30, 2009 and 2008**

# 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, 2009 and 2008 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, 2009 and 2008 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, 2009 and 2008, 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.

*Mark M<sup>W</sup> Byrd*

Memphis, TN  
January 18, 2010

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2009 AND 2008**

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS:</b>		
Cash and equivalents - unrestricted	\$ 72,830	\$ 60,500
Investments - CD's	-	-
Endowment fund	30,000	30,000
Medical supplies inventories	<u>387,626</u>	<u>527,689</u>
Total current assets	<u>490,456</u>	<u>618,189</u>
 <b>PROPERTY AND EQUIPMENT:</b>		
Medical equipment	277,440	192,492
Furniture and equipment	<u>64,882</u>	<u>62,685</u>
Total property and equipment, at cost	342,322	255,177
Less accumulated depreciation	<u>96,472</u>	<u>131,365</u>
Property and equipment - net	<u>245,850</u>	<u>123,812</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$736,306</u></u>	 <u><u>\$ 742,001</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 15,199	\$ 18,654
Payroll taxes payable	<u>-</u>	<u>-</u>
Total current liabilities	<u>15,199</u>	<u>18,654</u>
 <b>NET ASSETS:</b>		
Temporarily restricted	43,808	55,850
Unrestricted	<u>677,299</u>	<u>667,497</u>
Total net assets	<u>721,107</u>	<u>723,347</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$736,306</u></u>	 <u><u>\$ 742,001</u></u>

See accompanying notes.

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

<u>CHANGES IN NET ASSETS</u>	<u>2009</u>	<u>TOTAL</u>
<b>REVENUES:</b>		
<b>Fundraising Activities:</b>		
Contributions and grants	\$ 972,903	\$ 1,022,903
Contributions - in-kind - medical services	-	2,542,875
Contributions - in-kind - medical supplies	-	539,535
Special events	161,765	161,765
Total fundraising activities	1,134,668	4,267,078
<b>Program services</b>	112,951	112,951
<b>Investment</b>	2,442	2,442
<b>TOTAL REVENUES</b>	<u>1,250,061</u>	<u>4,382,471</u>
	3,144,452	(3,144,452)
<b>SATISFACTION OF PROGRAM RESTRICTIONS</b>		-
<b>EXPENSES:</b>		
Program services	4,036,873	4,036,873
General and administrative	188,617	188,617
Fundraising	159,221	159,221
<b>TOTAL EXPENSES</b>	<u>4,384,711</u>	<u>4,384,711</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	9,802	(2,240)
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<u>667,497</u>	<u>723,347</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 677,299</u>	<u>\$ 721,107</u>

See accompanying notes.

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

<u>CHANGES IN NET ASSETS</u>	<b>2008</b>		
<u>REVENUES:</u>	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
<b>Fundraising Activities:</b>			
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
<b>TOTAL REVENUES</b>	<u>935,421</u>	<u>2,433,405</u>	<u>3,368,826</u>
<b>SATISFACTION OF PROGRAM RESTRICTIONS</b>	<u>2,429,764</u>	<u>(2,429,764)</u>	<u>-</u>
<b>EXPENSES:</b>			
Program services	3,058,147	-	3,058,147
General and administrative	170,185	-	170,185
Fundraising	155,618	-	155,618
<b>TOTAL EXPENSES</b>	<u>3,383,950</u>	<u>-</u>	<u>3,383,950</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(18,765)</u>	<u>3,641</u>	<u>(15,124)</u>
<b>NET ASSETS, BEGINNING OF PERIOD</b>	<u>686,262</u>	<u>52,209</u>	<u>738,471</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 667,497</u>	<u>\$ 55,850</u>	<u>\$ 723,347</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2008</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in net assets	\$ (2,240)	\$ (15,124)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	20,324	21,761
Donated goods and services, net of amounts expended	(102)	7,609
Cash provided (used) by changes assets and liabilities:		
Accounts payable	(3,455)	(27,136)
Payroll taxes payable	-	(10,513)
Net cash provided (used) by operating activities	<u>14,527</u>	<u>(23,403)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from (Purchase of) CD's	-	75,000
Increase in Endowment fund	-	(30,000)
Purchase of Equipment	<u>(2,197)</u>	<u>(1,355)</u>
Net cash provided (used) by investing activities	(2,197)	43,645
<b>NET INCREASE (DECREASE) IN CASH</b>	12,330	20,242
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>60,500</u>	<u>40,258</u>
<b>CASH AND EQUIVALENTS, END OF PERIOD</b>	<u>\$ 72,830</u>	<u>\$ 60,500</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:</b>		
<b>DONATED GOODS AND SERVICES RECEIVED:</b>		
Medical supplies inventories	\$ 528,285	\$ 408,725
Medical services	2,542,875	1,763,430
Rent - warehouse	<u>11,250</u>	<u>11,250</u>
Total donated goods and services received	3,082,410	2,183,405
Less donated goods and services expended	<u>3,082,512</u>	<u>2,175,796</u>
<b>TOTAL DONATED GOODS AND SERVICES, NET OF AMOUNTS EXPENDED</b>	<u>\$ (102)</u>	<u>\$ 7,609</u>

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**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2008**

	<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	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>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 3,058,147</u></b>	<b><u>\$ 170,185</u></b>	<b><u>\$ 155,618</u></b>	<b><u>\$ 3,383,950</u></b>

See accompanying notes.

# **INTERNATIONAL CHILDREN'S HEART FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2009 AND 2008**

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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, 2009 the Foundation did not exceed the limit.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**

**SUPPLEMENTAL SCHEDULE OF REVENUES  
YEARS ENDED JUNE 30, 2009 AND 2008**

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	<u>2009</u>	<u>2008</u>
<b>CONTRIBUTIONS AND GRANTS:</b>		
Church donations	\$ -	\$ -
Corporate contributions	28,104	80,350
Direct mail	11,645	56,567
Federal Grant	50,000	250,000
Federated campaigns	53,396	71,777
Foundation grants	811,228	354,398
Individual contributions	24,412	47,111
Other	8,582	11,543
Website donations	35,536	37,598
Total contributions and grants	<u>1,022,903</u>	<u>909,344</u>
<b>IN-KIND DONATIONS:</b>		
Medical supplies inventories	528,285	408,725
Rent - warehouse	11,250	11,250
Services	2,542,875	1,763,430
Total in-kind donations	<u>3,082,410</u>	<u>2,183,405</u>
<b>SPECIAL EVENTS:</b>		
Architects Party	9,912	24,189
A Taste of Cuba	23,589	55,421
Cardiac Outreach Conference	33,502	6,000
Chicago Wine Dinner	20,995	-
Hilton Hollis	250	6,638
Mustang Auction	45,000	-
Third party events	27,197	13,455
Trevor Romain Preparty & Show	-	4,396
Wine Dinner	1,320	3,657
Other	-	5,540
Total fundraising - special events	<u>161,765</u>	<u>119,296</u>
<b>PROGRAM SERVICES:</b>		
International contracts	<u>112,951</u>	<u>154,068</u>
<b>INVESTMENT INCOME</b>	<u>2,442</u>	<u>2,713</u>
<b>TOTAL REVENUE</b>	<u>\$ 4,382,471</u>	<u>\$ 3,368,826</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**

**SUPPLEMENTAL SCHEDULE OF SELECTED PROGRAM SERVICES EXPENSES  
YEAR ENDED JUNE 30, 2009**

	<b>Medical Contract Services</b>	<b>Medical Donated Services</b>	<b>Medical Travel</b>	<b>Medical Supplies</b>	<b>Other</b>	<b>Total</b>
Afghanistan trips	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ 3,500
Belarus trips	-	136,500	42,613	6,245	7,973	193,331
Bosnia trips	-	-	-	-	(213)	(213)
China trips	820	516,450	74,822	16,254	5,380	613,726
Columbia trips	-	-	8,325	34,648	-	42,973
Dominican Republic trips	-	526,425	45,802	157,704	1,488	731,419
Honduras trips	-	514,275	110,775	187,904	4,387	817,341
India trips	-	-	235	-	-	235
Morocco trips	-	84,600	27,154	7,809	116	119,679
Nicaragua trips	3,800	-	2,715	14,035	32	20,582
Pakistan trips	-	169,575	65,931	13,502	4,572	253,580
Palestine trips	-	-	-	-	-	-
Russia trips	-	121,275	23,530	7,420	466	152,691
Ukrain trips	-	473,775	131,907	156,056	5,921	767,659
<b>TOTAL SELECTED PROGRAM SERVICES EXPENSES</b>	<b>\$ 8,120</b>	<b>\$2,542,875</b>	<b>\$ 533,809</b>	<b>\$ 601,577</b>	<b>\$ 30,122</b>	<b>\$ 3,716,503</b>

**INTERNATIONAL CHILDREN'S HEART FOUNDATION**

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

	<b>Medical Contract Services</b>	<b>Medical Donated Services</b>	<b>Medical Travel</b>	<b>Medical Supplies</b>	<b>Other</b>	<b>Total</b>
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
<b>TOTAL SELECTED PROGRAM SERVICES EXPENSES</b>	<b>\$ 34,882</b>	<b>\$1,763,430</b>	<b>\$ 409,938</b>	<b>\$ 528,216</b>	<b>\$ 22,005</b>	<b>\$ 2,758,471</b>

See accompanying notes.