

INTERNATIONAL CHILDREN'S HEART FOUNDATION

**FINANCIAL STATEMENTS
JUNE 30, 2012 and 2011**

INTERNATIONAL CHILDREN'S HEART FOUNDATION

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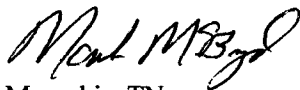
INDEPENDENT AUDITOR'S REPORT

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, 2012 and 2011 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 audits 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 audits provide 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, 2012 and 2011 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 3, 2013

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and equivalents - unrestricted	\$ 79,259	\$ 89,333
Endowment fund	-	44,934
Medical supplies inventories	432,746	432,632
Total current assets	<u>512,005</u>	<u>566,899</u>
 PROPERTY AND EQUIPMENT:		
Medical equipment	392,797	541,500
Furniture and equipment	81,147	76,827
Total property and equipment, at cost	473,944	618,327
Less accumulated depreciation	120,471	119,334
Property and equipment - net	<u>353,473</u>	<u>498,993</u>
 TOTAL ASSETS	 <u>\$ 865,478</u>	 <u>\$ 1,065,892</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 18,159	\$ 126,832
Payroll taxes payable	12,025	12,597
Short-term note payable	-	42,500
Total current liabilities	<u>30,184</u>	<u>181,929</u>
 NET ASSETS:		
Temporarily restricted	402,538	406,397
Unrestricted	432,756	477,566
Total net assets	<u>835,294</u>	<u>883,963</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 865,478</u>	 <u>\$ 1,065,892</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

<u>CHANGES IN NET ASSETS</u> <u>REVENUES:</u>	2012	<u>TOTAL</u>
Fundraising Activities:		
Contributions and grants	\$ 1,431,015	\$ 1,431,015
Contributions - in-kind - medical services	-	2,625,375
Contributions - in-kind - medical supplies	-	622,549
Special events	<u>30,222</u>	<u>30,222</u>
Total fundraising activities	1,461,237	4,709,161
Program services	846,769	846,769
Investment	250	250
TOTAL REVENUES	<u>2,308,256</u>	<u>5,556,180</u>
SATISFACTION OF PROGRAM RESTRICTIONS	<u>3,292,734</u>	<u>(3,292,734)</u>
EXPENSES:		
Program services	4,979,270	4,979,270
General and administrative	366,931	366,931
Fundraising	<u>229,998</u>	<u>229,998</u>
TOTAL FUNCTIONAL EXPENSES	5,576,199	5,576,199
Less loss due to theft	28,650	28,650
TOTAL EXPENSES	<u>5,604,849</u>	<u>5,604,849</u>
INCREASE (DECREASE) IN NET ASSETS	(3,859)	(48,669)
NET ASSETS, BEGINNING OF PERIOD	406,397	883,963
NET ASSETS, END OF PERIOD	<u>402,538</u>	<u>\$ 835,294</u>

See accompanying notes.

**INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

<u>CHANGES IN NET ASSETS</u>	<u>2011</u>
<u>REVENUES:</u>	<u>TOTAL</u>
Fundraising Activities:	
Contributions and grants	\$ 2,004,974 \$ 50,000 \$ 2,054,974
Contributions - in-kind - medical services	- 3,114,000 3,114,000
Contributions - in-kind - medical supplies	- 1,104,476 1,104,476
Special events	44,062 - 44,062
Total fundraising activities	2,049,036 4,268,476 6,317,512
Program services	6,500 - 6,500
Investment	225 - 225
TOTAL REVENUES	2,055,761 4,268,476 6,324,237
SATISFACTION OF PROGRAM RESTRICTIONS	4,031,176 (4,031,176) -
EXPENSES:	
Program services	5,478,951 - 5,478,951
General and administrative	348,247 - 348,247
Fundraising	250,988 - 250,988
TOTAL EXPENSES	6,078,186 - 6,078,186
INCREASE (DECREASE) IN NET ASSETS	8,751 237,300 246,051
NET ASSETS, BEGINNING OF PERIOD	397,646 240,266 637,912
NET ASSETS, END OF PERIOD	\$ 406,397 \$ 477,566 \$ 883,963

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ (48,669)	\$ 246,051
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,500	30,285
Donated goods and services, net of amounts expended	(100,264)	(184,386)
Cash provided (used) by changes assets and liabilities:		
Accounts payable	108,673	(121,621)
Payroll taxes payable	572	(12,406)
Net cash provided (used) by operating activities	<u>(8,188)</u>	<u>(42,077)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in Endowment fund	44,934	-
Purchase of Equipment	<u>(4,320)</u>	<u>(5,389)</u>
Net cash provided (used) by investing activities	40,614	(5,389)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (payment on) short-term note payable	<u>(42,500)</u>	42,500
Net cash provided (used) by financing activities	<u>(42,500)</u>	<u>42,500</u>
NET INCREASE (DECREASE) IN CASH	(10,074)	(4,966)
CASH AND EQUIVALENTS, BEGINNING OF PERIOD	<u>89,333</u>	<u>94,299</u>
CASH AND EQUIVALENTS, END OF PERIOD	<u>\$ 79,259</u>	<u>\$ 89,333</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:		
DONATED GOODS AND SERVICES RECEIVED:		
Medical supplies inventories	\$ 611,299	\$ 1,093,226
Medical services	2,625,375	3,114,000
Rent - warehouse	<u>11,250</u>	<u>11,250</u>
Total donated goods and services received	3,247,924	4,218,476
Less donated goods and services expended	<u>3,348,188</u>	<u>4,402,862</u>
TOTAL DONATED GOODS AND SERVICES, NET OF AMOUNTS EXPENDED	<u>\$ (100,264)</u>	<u>\$ (184,386)</u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	<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	-	-	7,249	7,249
Books and subscriptions	1,108	2,741	961	4,810
Computer software	1,326	3,288	1,152	5,766
Conferences - travel	32,127	-	-	32,127
Contract services	7,328	18,160	6,372	31,860
Credit card	-	-	12,135	12,135
Fundraising special events	-	-	10,802	10,802
Insurance	8,133	11,569	5,358	25,060
Insurance - group	43,757	8,857	10,830	63,444
Medical contract services	94,281	-	-	94,281
Medical services	2,625,375	-	-	2,625,375
Medical travel	696,592	-	-	696,592
Medical supplies	850,151	-	-	850,151
Medical - other	31,020	-	-	31,020
Meetings and banquets	-	1,845	-	1,845
Memberships	-	2,925	-	2,925
Office supplies	13,760	17,719	2,991	34,470
Postage	-	1,052	2,454	3,506
Printing	-	2,815	6,569	9,384
Rent - office	7,857	24,675	6,832	39,364
Rent - warehouse	11,250	-	-	11,250
Research projects	9,094	-	-	9,094
Salaries and benefits	510,757	263,257	152,949	926,963
Telephone	5,115	2,556	2,556	10,227
Total functional expenses before depreciation	<u>4,949,030</u>	<u>366,459</u>	<u>229,210</u>	<u>5,544,699</u>
Depreciation	<u>30,240</u>	<u>472</u>	<u>787</u>	<u>31,500</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 4,979,270</u>	<u>\$ 366,931</u>	<u>\$ 229,997</u>	<u>\$ 5,576,199</u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	<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	-	-	1,916	1,916
Books and subscriptions	825	2,042	716	3,584
Computer software	300	744	261	1,305
Conferences - travel	31,112	-	-	31,112
Contract services	4,843	12,002	4,211	21,056
Credit card	-	-	7,874	7,874
Fundraising special events	-	-	40,475	40,475
Insurance	8,641	12,292	5,692	26,625
Insurance - group	39,876	8,071	9,869	57,816
Medical contract services	85,480	-	-	85,480
Medical services	3,114,000	-	-	3,114,000
Medical travel	807,469	-	-	807,469
Medical supplies	803,340	-	-	803,340
Medical - other	15,214	-	-	15,214
Meetings and banquets	-	1,507	-	1,507
Memberships	-	1,985	-	1,985
Office supplies	10,257	13,209	2,230	25,696
Photography	-	-	-	-
Postage	-	3,221	7,516	10,737
Printing	-	4,139	9,658	13,797
Rent - office	6,498	20,410	5,651	32,560
Rent - warehouse	11,250	-	-	11,250
Salaries and benefits	504,751	260,162	151,151	916,064
Telephone	6,020	3,009	3,009	12,039
Total functional expenses before depreciation	<u>5,449,877</u>	<u>347,793</u>	<u>250,231</u>	<u>6,047,901</u>
Depreciation	<u>29,074</u>	<u>454</u>	<u>757</u>	<u>30,285</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,478,951</u>	<u>\$ 348,247</u>	<u>\$ 250,988</u>	<u>\$ 6,078,186</u>

See accompanying notes.

INTERNATIONAL CHILDREN'S HEART FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of International Children's Heart Foundation have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted 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 or temporarily 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 seven to ten 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.

The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the ending June 30, 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

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. NOTES PAYABLE

The Foundation's notes payable consist of the following:

	<u>2012</u>	<u>2011</u>
Interest-free note payable to an Individual, due on demand, unsecured, - current	\$ -	<u>42,500</u>

3. LONG TERM LEASE

The Foundation leases it's office space under an operating lease.

Future obligations over the primary terms of the Foundation's long-term lease as of June 30, 2012, are as follows:

<u>Year end</u>	<u>Amount</u>
June 30, 2013	\$ 28,140
June 30, 2014	<u>4,690</u>
	<u>\$ 32,830</u>

4. LOSS DUE TO THEFT

The Foundation suffered a loss due to theft. Funds totaling \$28,650 were wired out of the Foundation's bank account as the result of identity theft. As a result of this the Foundation has changed the requirements for wire transfers with the bank. The Foundation is seeking reimbursement from the bank due to the fraud but has yet been able to resolve the issue with the bank.

5. 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 \$250,000. At June 30, 2012 the Foundation did not exceed the limit.

6. EVALUATION OF SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through January 3, 2013, the date which the financial statements were available to be issued.