

**THE CHILDREN'S HEART FOUNDATION
DECEMBER 31, 2008 AND 2007**

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
(With Independent Auditors' Report)**

**THE CHILDREN'S HEART FOUNDATION
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
DECEMBER 31, 2008 AND 2007**

CONTENTS

	Page Number
FINANCIAL STATEMENTS	
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Notes to Financial Statements	4-6
ADDITIONAL INFORMATION	
Statement of Functional Expenses - 2008	7
Statement of Functional Expenses - 2007	8



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CELEBRATING
75 YEARS
1933-2008

August 10, 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Children's Heart Foundation
P.O. Box 244
Lincolnshire, IL 60069

We have audited the statements of financial position of the Children's Heart Foundation as of December 31, 2008 and 2007, and the related statements of activities and additional information for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Heart Foundation as of December 31, 2008 and 2007, and the changes in its net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on pages 7 and 8 is presented for purposes of additional analysis and is 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hochfelder & Weber, P.C.
HOCHFELDER & WEBER, P.C.
Certified Public Accountants
Chicago, Illinois

THE CHILDREN'S HEART FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 119,790	\$ 56,302
Contributions Receivable	95,830	148,659
Prepaid Expenses	<u>18,198</u>	<u>14,834</u>
TOTAL ASSETS	<u>\$ 233,818</u>	<u>\$ 219,795</u>
LIABILITIES		
Accrued Expenses	\$ 55,986	\$ 13,192
Deferred Event Revenue	<u>29,409</u>	<u>24,013</u>
TOTAL LIABILITIES	<u>85,395</u>	<u>37,205</u>
NET ASSETS		
Unrestricted	133,100	179,599
Temporarily Restricted	<u>15,323</u>	<u>2,991</u>
TOTAL NET ASSETS	<u>148,423</u>	<u>182,590</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 233,818</u>	<u>\$ 219,795</u>

The accompanying notes are an integral part of these financial statements

**THE CHILDREN'S HEART FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
Revenues and Other Support:		
Donations	\$ 126,140	\$ 155,444
Contributions from Affiliates	152,165	66,703
Internal Special Events (Note 8)	324,153	349,861
Less cost of direct benefit to donor	<u>(179,138)</u>	<u>(190,441)</u>
	<u>145,015</u>	<u>159,420</u>
External Special Events (Note 9)	243,619	406,969
Grants	<u>117,569</u>	<u>65,100</u>
Total Support	<u>784,508</u>	<u>853,636</u>
Interest Income	890	10,583
Other Income	109,498	117,951
Net assets released from restrictions	<u>37,668</u>	<u>54,216</u>
Total Other Revenues	<u>148,056</u>	<u>182,750</u>
Total Support and Other Revenues	<u>932,564</u>	<u>1,036,386</u>
Expenses:		
Program Services	585,781	795,858
Management and General	99,847	69,590
Fund Raising	<u>293,435</u>	<u>136,169</u>
Total Expenses	<u>979,063</u>	<u>1,001,617</u>
 (Decrease) Increase in Unrestricted Net Assets	 <u>(46,499)</u>	 <u>34,769</u>
TEMPORARILY RESTRICTED NET ASSETS		
Revenue		
Donations	50,000	40,000
Net Assets Released from Restrictions		
Program Services	<u>37,668</u>	<u>54,216</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>12,332</u>	<u>(14,216)</u>
(DECREASE) INCREASE IN NET ASSETS	(34,167)	20,553
NET ASSETS – BEGINNING OF THE YEAR	<u>182,590</u>	<u>162,037</u>
NET ASSETS – END OF THE YEAR	<u>\$ 148,423</u>	<u>\$ 182,590</u>

The accompanying notes are an integral part of these financial statements

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. ORGANIZATION

The Children's Heart Foundation (an Illinois not-for-profit corporation) is a national organization that supports research toward discovering the causes and improving the methods of diagnosing, treating and preventing congenital heart defects. The Foundation began operations in 1996 and has funded 40 research projects, totaling \$3.4 million to date. Each year the Foundation hosts multiple fundraisers in the Chicagoland area. They are also the beneficiaries of numerous events held throughout the country.

The Foundation has five local chapters. The chapters are located in Florida, Oregon, Ohio, and Indiana. These chapters are run autonomously by board members elected at their respective local levels.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting.

B. Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements.

C. Concentration of Credit Risk

The Foundation maintains its cash balances at two high credit quality financial institutions located in Illinois. At December 31, 2008, the cash balance is not in excess of the Federal Deposit Insurance Corporation limits. The Foundation has not experienced, nor does it expect to experience, any losses in such accounts.

D. Contributions

Contributions and promises to contribute are recognized as income when received or when they become unconditional promises to give. Contributions receivable are all due in less than one year.

E. Reclassifications

Certain reclassifications have been made to conform the 2007 financial statements to the 2008 presentation.

F. Uncollectible Accounts Receivable

The Foundation uses the allowance method to estimate uncollectible contributions receivable. At December 31, 2008 and 2007, the Foundation considers all contributions receivable to be fully collectible.

3. DONATED SERVICES

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. The Foundation received donated audit services in 2008 and 2007 of \$1,500 which meet the criteria under SFAS 116, and are therefore recognized in the statement of activities.

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

4. DONATED FACILITIES

The Foundation occupies office space at 620 Margate Drive, Lincolnshire, Illinois donated by Cole Wire and Cable valued at \$15,000 in 2007. During 2008, no office space was donated. This donation meets the criteria under SFAS 116 and is therefore recognized in the statement of activities.

5. GRANTS

During 2008 the Foundation approved six research grants totaling \$395,641 to fund studies on congenital heart defects. The grants for 2008 were as follows: \$50,000 to Julie A. Brothers, M.D. from Children's Hospital of Philadelphia, \$100,000 to Sunjay Kaushal, M.D., PhD from Children's Memorial Hospital Chicago, \$100,000 to Marlene Rabinovitch, M.D. from Stanford University School of Medicine, \$36,750 to Emile Bacha, M.D. from Children's Hospital Boston, \$70,000 to Vidu Garg, M.D. from University of Texas Southwestern Medicine Center, and \$38,891 to Edward Hickey, M.D. and Glen Van Arsdell, M.D. from The Hospital for Sick Children.

During 2007 the Foundation approved nine research grants totaling \$603,262 to fund studies on congenital heart defects. The grants for 2007 were as follows: \$100,000 to Ching-Pin Chang, M.D. from Stanford University, \$50,000 to Jeffery Phillip Jacobs, M.D. from Cardiac Surgical Associates, \$90,711 to Margaret L. Kirby, Ph. D from Duke University Medical Center, \$89,190 to Brian W. McCrindle, M.D. from Hospital for Sick Children, \$39,750 to Emile Bacha, M.D. from Children's Hospital Boston, \$70,000 to Vidu Garg, M.D. from University of Texas Southwestern Medical Center, \$43, 611 to Edward Hickey, M.D. and Glen Van Arsdell, M.D. from The Hospital for Sick Children, \$50,000 to Lynn A. Sleeper, ScD from New England Research Institutes/Pediatric Heart Network, and \$70,000 to Kenneth O. Schowengerdt, M.D. from University of Florida College of Medicine.

6. RESTRICTIONS ON NET ASSETS

From time to time, the Foundation receives contributions that are designated by the donor with restrictions as to use. It is the Foundation's policy to disclose the nature of the restriction in net assets. Restrictions that are met in the same reporting period are classified as unrestricted net assets.

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Beginning Temporarily Restricted Net Assets	\$ 2,991	\$ 17,207
Medtronic, Inc. – "It's My Heart" Parent Book	50,000	40,000
Less: Expenditures for Parent Book	<u>(37,668)</u>	<u>(54,216)</u>
Ending Temporarily Restricted Net Assets	<u>\$ 15,323</u>	<u>\$ 2,991</u>

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

7. RELATED PARTY TRANSACTIONS

The Foundation has five chapters in Florida, Oregon, Ohio, Iowa and Indiana. Related party transactions between the national chapter in Illinois and the other chapters are as follows:

	<u>2008</u>	<u>2007</u>
Contributions to the CHF National Organization by:		
The Florida Chapter	\$ 25,201	\$ 39,525
The Oregon Chapter	105,000	25,000
The Ohio Chapter	0	2,017
The Iowa Chapter	13,125	161
The Indiana Chapter	<u>8,839</u>	<u>0</u>
Total Contributions from Affiliates	<u>\$ 152,165</u>	<u>\$ 66,703</u>

8. INTERNAL SPECIAL EVENTS

The Foundation hosts special events to raise money for the fight against congenital heart defects. The revenue from these special events is as follows:

	<u>2008</u>	<u>2007</u>
Family Benefit	\$ 129,069	\$ 137,766
Chicago Golf Outing	<u>195,084</u>	<u>212,095</u>
Total	<u>\$ 324,153</u>	<u>\$ 349,861</u>

9. EXTERNAL SPECIAL EVENTS

The Foundation is the beneficiary of several fundraising events throughout the country. The net income from these special events is as follows:

	<u>2008</u>	<u>2007</u>
New Jersey Golf Outing	\$ 0	\$ 312,183
Alpine Children's Charity	65,000	65,000
Agne Fundraiser	22,430	27,856
Arizona Golf Outing	41,669	0
CHF/CHIN Walk	34,193	0
Heartfelt Affair	17,290	0
Hopping for Hearts	24,032	0
Miscellaneous Outside Fundraisers	<u>39,005</u>	<u>1,930</u>
Total	<u>\$ 243,619</u>	<u>\$ 406,969</u>

ADDITIONAL INFORMATION

**THE CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Research Funding	\$ 395,641	\$ 0	\$ 0	\$ 395,641
Public Education and Advocacy	228	3,854	1,749	5,831
Salaries, Taxes and Benefits	99,979	36,418	86,648	223,045
Insurance	0	5,404	0	5,404
Office Supplies and Postage	8,829	7,110	11,203	27,142
Professional Fees	0	8,100	0	6,600
Printing	0	1,318	1,078	2,396
Travel	20,451	3,511	17,556	41,518
Rent and Utilities	8,640	3,072	7,488	19,200
Marketing	34,203	26,096	36,821	97,120
Fund Raising	13,680	1,588	129,870	145,138
Meetings and Conferences	4,130	2,094	866	7,090
Miscellaneous	<u>0</u>	<u>1,282</u>	<u>156</u>	<u>1,438</u>
Total	<u>\$ 585,781</u>	<u>\$ 99,847</u>	<u>\$ 293,435</u>	<u>\$ 979,063</u>

The accompanying notes are an integral part of these financial statements.

**THE CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Research Funding	\$ 603,262	\$ 0	\$ 0	\$ 603,262
Public Education and Advocacy	64,155	101	2,459	66,715
Salaries, Taxes and Benefits	69,202	27,359	64,374	160,935
Insurance	1,526	1,974	1,419	4,919
Office Supplies and Postage	6,631	13,016	11,374	31,021
Professional Fees	0	7,031	0	7,031
Printing	0	1,538	1,069	2,607
Travel	36,080	5,812	36,758	78,650
Rent and Utilities	6,747	3,739	7,486	17,972
Marketing	5,291	7,054	6,291	18,636
Fund Raising	0	0	4,113	4,113
Meetings and Conferences	2,964	1,000	0	3,964
Miscellaneous	<u>0</u>	<u>966</u>	<u>826</u>	<u>1,792</u>
Total	<u>\$ 795,858</u>	<u>\$ 69,590</u>	<u>\$ 136,169</u>	<u>\$ 1,001,617</u>

The accompanying notes are an integral part of these financial statements.

