

**THE CHILDREN'S HEART FOUNDATION
DECEMBER 31, 2011 AND 2010**

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

**THE CHILDREN'S HEART FOUNDATION
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
DECEMBER 31, 2011 AND 2010**

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August 1, 2012

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, 2011 and 2010, and the related statements of activities and cash flows and additional information for the years 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, 2011 and 2010, and the changes in its net assets and its cash flows 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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 413,259	\$ 290,730
TOTAL ASSETS	<u>\$ 413,259</u>	<u>\$ 290,730</u>
LIABILITIES		
Accrued Expenses	\$ 200,000	\$ 200,000
TOTAL LIABILITIES	<u>200,000</u>	<u>200,000</u>
NET ASSETS		
Unrestricted	213,259	75,800
Temporarily Restricted	<u>0</u>	<u>14,930</u>
TOTAL NET ASSETS	<u>213,259</u>	<u>90,730</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 413,259</u>	<u>\$ 290,730</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
Revenues and Other Support:		
Donations	\$ 160,826	\$ 112,919
Contributions from Affiliates	432,847	557,066
External Special Events (Note 7)	1,344,481	628,691
Grants	<u>19,750</u>	<u>37,300</u>
Total Support	<u>1,957,904</u>	<u>1,335,976</u>
Interest Income	726	466
Other Income	63,668	61,269
Net assets released from restrictions	<u>14,930</u>	<u>0</u>
Total Other Revenues	<u>79,324</u>	<u>61,735</u>
Total Support and Other Revenues	<u>2,037,228</u>	<u>1,397,711</u>
Expenses:		
Program Services	1,576,780	1,141,615
Management and General	67,121	89,359
Fund Raising	<u>255,868</u>	<u>237,039</u>
Total Expenses	<u>1,899,769</u>	<u>1,468,013</u>
Increase (Decrease) in Unrestricted Net Assets	<u>137,459</u>	<u>(70,302)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Net Assets Released from Restrictions		
Program Services	<u>14,930</u>	<u>0</u>
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(14,930)</u>	<u>0</u>
INCREASE (DECREASE) IN NET ASSETS	122,529	(70,302)
NET ASSETS – BEGINNING OF THE YEAR	<u>90,730</u>	<u>161,032</u>
NET ASSETS – END OF THE YEAR	<u>\$ 213,259</u>	<u>\$ 90,730</u>

The accompanying notes are an integral part of these financial statements

**THE CHILDREN'S HEART FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 122,529	\$ (70,302)
Adjustments to Reconcile Changes in Net Assets To Net Cash from Operating Activities:		
Decrease in:		
Contributions Receivable	0	82,963
Prepaid Expenses	0	9,814
Increase (Decrease) in:		
Accrued Expenses	0	100,000
Deferred Revenue	<u>0</u>	<u>(10,175)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	122,529	112,300
CASH AND EQUIVALENTS - BEGINNING	<u>290,730</u>	<u>178,430</u>
CASH AND EQUIVALENTS - ENDING	<u>\$ 413,259</u>	<u>\$ 290,730</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>
Interest	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 48 research projects, totaling \$4.7 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 twelve local chapters. The chapters are located in Florida, Oregon, Ohio, Iowa, Indiana, Arizona, Pennsylvania, Illinois, Missouri, Colorado, Virginia and New York. 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. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

D. Concentration of Credit Risk

The Foundation maintains its cash balances at two high credit quality financial institutions located in Illinois. At December 31, 2011, the cash balance is \$535,770 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.

E. 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.

F. Reclassifications

Certain reclassifications have been made to conform the 2010 financial statements to the 2011 presentation.

G. Uncollectible Accounts Receivable

The Foundation uses the allowance method to estimate uncollectible contributions receivable. At December 31, 2011 and 2010, the Foundation considers all contributions receivable to be fully collectible.

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 2011 and 2010 of \$1,500 which meet the criteria under SFAS 116, and are therefore recognized in the statement of activities.

4. GRANTS

During 2011 the Foundation approved 11 research grants totaling \$862,755 to fund studies on congenital heart defects. The grants for 2011 were as follows: \$100,000 to Jeffrey Jacobs, MD from The Society of Thoracic Surgeons, \$50,000 to Jeffrey Jacobs, MD from The Congenital Heart Institute of Florida, \$100,000 to Bradley Marino, MD from Cincinnati Children's Hospital, \$100,000 to Daniel Bernstein, MD from Stanford Medical Center, \$49,047 to Meryl Cohen, MD from Children's Hospital of Philadelphia, \$93,118 to Ross Ungerleider, MD from Brenner Children's Hospital, \$100,000 to Sunjay Kaushal, MD, PhD from University of Maryland Medical Center, \$100,000 to Patrick Jay, MD, PhD from Washington University School of Medicine, \$50,000 to Constantine Mavroudis, MD from Cleveland Clinic Foundation, \$75,000 to Paul Grossfield, MD from The Regents of the University of California, and \$45,590 to Jane Newburger, MD, MPH at Children's Hospital Corporation.

During 2010 the Foundation approved seven research grants totaling \$496,219 to fund studies on congenital heart defects. The grants for 2010 were as follows: \$50,000 to Jeffrey Phillip Jacobs, MD, FACS, FACC, FCCP from the Congenital Heart Institute of Florida, \$50,000 to Constantine Mavroudis, MD from Cleveland Clinic Foundation, \$75,000 to Paul Grossfeld, MD from The Regents of the University of California, \$100,000 to Sunjay Kaushal, MD, PhD from Children's Memorial Hospital, \$100,000 to Patrick Y. Jay, MD, PhD from Washington University School of Medicine, \$89,750 to Jane W. Newburger, M.D., M.P.H. at Children's Hospital Corporation. A grant in the amount of \$31,469 was paid to Dr. Vidu Garg during 2010. A \$70,000 grant was issued to Dr. Garg in 2008. During 2009, he returned \$31,469 of the grant to Children's Heart Foundation as he was leaving the University of Texas Southwestern Medicine Center and continuing his research elsewhere. The Foundation then returned the remaining \$31,469 of the original grant to Dr. Garg in 2010.

5. 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>2011</u>	<u>2010</u>
Beginning Temporarily Restricted Net Assets	\$ 14,930	\$ 14,930
Less: Expenditures for Parent Book	<u>(14,930)</u>	<u>0</u>
Ending Temporarily Restricted Net Assets	<u>\$ 0</u>	<u>\$ 14,930</u>

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

6. RELATED PARTY TRANSACTIONS

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

	<u>2011</u>	<u>2010</u>
Contributions to the CHF National Organization by:		
The Florida Chapter	\$ 19,937	\$ 48,866
The Oregon Chapter	27,700	60,000
The Ohio Chapter	35,736	6,100
The Iowa Chapter	0	4,709
The Illinois Chapter	231,191	286,229
The Indiana Chapter	0	400
The Arizona Chapter	27,651	58,681
The Pennsylvania Chapter	71,335	86,062
The Missouri Chapter	15,263	0
CHF Developing Chapters	4,034	6,019
Total Contributions from Affiliates	<u>\$ 432,847</u>	<u>\$ 557,066</u>

7. 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>2011</u>	<u>2010</u>
ACHA/CHF Walk	\$ 261,685	\$ 95,694
Alpine Children's Charity	50,000	50,000
Bovis Golf Outing	89,361	113,650
DC Ranch Golf Outing	0	51,880
Team CHF Athletics	47,048	17,618
Team CHF - Chicago Marathon	0	5,509
Build-a-Bear Campaign	185,192	0
Northwestern University Dance Marathon 2011	646,463	0
Miscellaneous Outside Fundraisers	64,732	294,340
Total	<u>\$ 1,344,481</u>	<u>\$ 628,691</u>

Included in the \$261,685 raised from the ACHA/CHF Walk during 2011 are the following amounts raised by individual chapters: \$54,413 from the Ohio Chapter, \$7,825 from the Colorado Chapter, \$31,568 from the Arizona Chapter, \$17,453 from the Pennsylvania Chapter, \$11,219 from the Virginia Chapter, \$18,906 from the Missouri Chapter, \$16,173 from the Florida Chapter, and \$15,975 from the New York Chapter.

8. SUBSEQUENT EVENTS

The Foundation did not have any subsequent events through August 1, 2012, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2011.

ADDITIONAL INFORMATION

**THE CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Research Funding	\$ 862,755	\$ 0	\$ 0	\$ 862,755
Public Education and Advocacy	230,515	665	52,145	283,325
Salaries, Taxes and Benefits	210,822	23,754	62,355	296,931
Insurance	1,007	5,522	298	6,827
Office Supplies and Postage	2,986	10,897	4,730	18,613
Professional Fees	19,507	11,538	6,127	37,172
Printing	0	926	758	1,684
Travel	29,308	3,302	8,669	41,279
Rent and Utilities	13,632	1,536	4,032	19,200
Marketing	17,033	1,827	5,670	24,530
Fund Raising	179,299	600	109,879	289,778
Meetings and Conferences	9,916	6,099	1,205	17,220
Miscellaneous	<u>0</u>	<u>455</u>	<u>0</u>	<u>455</u>
Total	<u>\$ 1,576,780</u>	<u>\$ 67,121</u>	<u>\$ 255,868</u>	<u>\$ 1,899,769</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, 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Research Funding	\$ 496,219	\$ 0	\$ 0	\$ 496,219
Public Education and Advocacy	236,995	19,598	51,446	308,039
Salaries, Taxes and Benefits	151,773	17,101	44,889	213,763
Insurance	1,010	8,473	299	9,782
Office Supplies and Postage	3,067	14,198	10,152	27,417
Professional Fees	20,590	10,035	6,325	36,950
Printing	0	1,435	1,435	2,870
Travel	33,519	3,300	8,664	45,483
Rent and Utilities	13,632	1,536	4,032	19,200
Marketing	60,408	8,364	17,711	86,483
Fund Raising	119,735	1,007	90,126	210,868
Meetings and Conferences	4,667	2,852	1,960	9,479
Miscellaneous	<u>0</u>	<u>1,460</u>	<u>0</u>	<u>1,460</u>
Total	<u>\$ 1,141,615</u>	<u>\$ 89,359</u>	<u>\$ 237,039</u>	<u>\$ 1,468,013</u>

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

