

**THE CHILDREN'S HEART FOUNDATION
DECEMBER 31, 2010 AND 2009**

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

**THE CHILDREN'S HEART FOUNDATION
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
DECEMBER 31, 2010 AND 2009**

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July 15, 2011

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, 2010 and 2009, 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, 2010 and 2009, 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.
Certified Public Accountants
Chicago, Illinois

**THE CHILDREN'S HEART FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 290,730	\$ 178,430
Contributions Receivable	0	82,963
Prepaid Expenses	<u>0</u>	<u>9,814</u>
TOTAL ASSETS	<u>\$ 290,730</u>	<u>\$ 271,207</u>
LIABILITIES		
Accrued Expenses	\$ 200,000	\$ 100,000
Deferred Event Revenue	<u>0</u>	<u>10,175</u>
TOTAL LIABILITIES	<u>200,000</u>	<u>110,175</u>
NET ASSETS		
Unrestricted	75,800	146,102
Temporarily Restricted	<u>14,930</u>	<u>14,930</u>
TOTAL NET ASSETS	<u>90,730</u>	<u>161,032</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 290,730</u>	<u>\$ 271,207</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, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS		
Revenues and Other Support:		
Donations	\$ 112,919	\$ 119,803
Contributions from Affiliates	557,066	115,617
Internal Special Events (Note 7)	0	287,402
Less cost of direct benefit to donor	<u>0</u>	<u>(187,185)</u>
	<u>0</u>	<u>100,217</u>
External Special Events (Note 8)	628,691	420,754
Grants	<u>37,300</u>	<u>43,363</u>
Total Support	<u>1,335,976</u>	<u>799,754</u>
Interest Income	466	211
Other Income	61,269	40,277
Net assets released from restrictions	<u>0</u>	<u>393</u>
Total Other Revenues	<u>61,735</u>	<u>40,881</u>
Total Support and Other Revenues	<u>1,397,711</u>	<u>840,635</u>
Expenses:		
Program Services	1,141,615	600,209
Management and General	89,359	65,284
Fund Raising	<u>237,039</u>	<u>162,140</u>
Total Expenses	<u>1,468,013</u>	<u>827,633</u>
(Decrease) Increase in Unrestricted Net Assets	<u>(70,302)</u>	<u>13,002</u>
TEMPORARILY RESTRICTED NET ASSETS		
Revenue		
Donations	0	0
Net Assets Released from Restrictions		
Program Services	<u>0</u>	<u>393</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>0</u>	<u>(393)</u>
(DECREASE) INCREASE IN NET ASSETS	(70,302)	12,609
NET ASSETS – BEGINNING OF THE YEAR	<u>161,032</u>	<u>148,423</u>
NET ASSETS – END OF THE YEAR	<u>\$ 90,730</u>	<u>\$ 161,032</u>

The accompanying notes are an integral part of these financial statements

**CHILDREN'S HEART FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in Net Assets	\$ (70,302)	\$ 12,609
Adjustments to Reconcile Changes in Net Assets To Net Cash from Operating Activities:		
(Increase) Decrease in:		
Contributions Receivable	82,963	12,867
Prepaid Expenses	9,814	8,384
Increase (Decrease) in:		
Accrued Expenses	100,000	44,014
Deferred Revenue	<u>(10,175)</u>	<u>(19,234)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	112,300	58,640
CASH AND EQUIVALENTS - BEGINNING	<u>178,430</u>	<u>119,790</u>
CASH AND EQUIVALENTS - ENDING	<u>\$ 290,730</u>	<u>\$ 178,430</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, 2010 AND 2009**

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 43 research projects, totaling \$4.1 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 eight local chapters. The chapters are located in Florida, Oregon, Ohio, Iowa, Indiana, Arizona, Pennsylvania and Illinois. 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, 2010, the cash balance is \$23,921 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 2009 financial statements to the 2010 presentation.

G. Uncollectible Accounts Receivable

The Foundation uses the allowance method to estimate uncollectible contributions receivable. At December 31, 2010 and 2009, the Foundation considers all contributions receivable to be fully collectible.

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 2010 and 2009 of \$1,500 which meet the criteria under SFAS 116, and are therefore recognized in the statement of activities.

4. GRANTS

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.

During 2009 the Foundation approved three research grants totaling \$250,000 to fund studies on congenital heart defects. The grants for 2009 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, and \$100,000 to Marlene Rabinovich, M.D. from Stanford University School of Medicine.

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>2010</u>	<u>2009</u>
Beginning Temporarily Restricted Net Assets	\$ 14,930	\$ 15,323
Less: Expenditures for Parent Book	<u>0</u>	<u>(393)</u>
Ending Temporarily Restricted Net Assets	<u>\$ 14,930</u>	<u>\$ 14,930</u>

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

6. RELATED PARTY TRANSACTIONS

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

	<u>2010</u>	<u>2009</u>
Contributions to the CHF National Organization by:		
The Florida Chapter	\$ 48,866	\$ 66,000
The Oregon Chapter	60,000	25,000
The Ohio Chapter	6,100	4,138
The Iowa Chapter	4,709	4,400
The Illinois Chapter	286,229	0
The Indiana Chapter	400	2,649
The Arizona Chapter	58,681	180
The Pennsylvania Chapter	86,062	13,250
CHF Developing Chapters	<u>6,019</u>	<u>0</u>
Total Contributions from Affiliates	<u>\$ 557,066</u>	<u>\$ 115,617</u>

7. 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>2010</u>	<u>2009</u>
Family Benefit	\$ 0	\$ 141,191
Chicago Golf Outing	<u>0</u>	<u>146,211</u>
Total	<u>\$ 0</u>	<u>\$ 287,402</u>

8. 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>2010</u>	<u>2009</u>
ACHA/CHF Walk	\$ 95,694	\$ 3,310
Alpine Children's Charity	50,000	50,000
Agne Fundraiser	0	21,153
Tucson Golf Outing	0	30,090
Art for the Heart	0	11,520
Bovis Golf Outing	113,650	126,735
DC Ranch Golf Outing	51,880	28,706
Heartfelt Affair	0	25,735
Share Your Heart	0	31,581
Team CHF Athletics	17,618	0
Team CHF – Chicago Marathon	5,509	21,119
Miscellaneous Outside Fundraisers	<u>294,340</u>	<u>70,805</u>
Total	<u>\$ 628,691</u>	<u>\$ 420,754</u>

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

9. SUBSEQUENT EVENTS

The Foundation did not have any subsequent events through July 15, 2011, 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, 2010.

ADDITIONAL INFORMATION

**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.

**THE CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Research Funding	\$ 250,000	\$ 0	\$ 0	\$ 250,000
Public Education and Advocacy	9,842	296	616	10,754
Salaries, Taxes and Benefits	134,719	19,778	39,733	194,230
Insurance	1,666	5,295	662	7,623
Office Supplies and Postage	2,328	9,608	7,077	19,013
Professional Fees	14,175	10,219	5,719	30,113
Printing	0	797	652	1,449
Travel	20,838	3,399	7,080	31,317
Rent and Utilities	12,096	2,304	4,800	19,200
Marketing	48,335	6,370	15,068	69,773
Fund Raising	104,015	1,877	78,824	184,716
Meetings and Conferences	2,195	2,962	1,909	7,066
Miscellaneous	<u>0</u>	<u>2,379</u>	<u>0</u>	<u>2,379</u>
Total	<u>\$ 600,209</u>	<u>\$ 65,284</u>	<u>\$ 162,140</u>	<u>\$ 827,633</u>

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

