

CHILDREN OF VIETNAM

Financial Statements

December 31, 2009

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Board of Directors
Children of Vietnam
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Children of Vietnam (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows 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 audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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. We believe that our audit provides 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 Children of Vietnam as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Butler & Burke LLP

Winston-Salem, North Carolina
August 9, 2010

CHILDREN OF VIETNAM
STATEMENT OF FINANCIAL POSITION
December 31, 2009

ASSETS

| | | |
|-----------------------------|-----------|-----------------------|
| Cash and cash equivalents | \$ | 385,197 |
| Short-term investments | | 151,534 |
| Grants receivable | | 52,268 |
| Property and equipment, net | | <u>-</u> |
| <u>TOTAL ASSETS</u> | \$ | <u>588,999</u> |

LIABILITIES AND NET ASSETS

Liabilities

| | | |
|---------------------------------|----|-------------------|
| Accrued payroll | \$ | <u>873</u> |
| <u>Total Liabilities</u> | | <u>873</u> |

Net Assets

| | | |
|--------------------------------|--|-----------------------|
| Unrestricted | | 347,783 |
| Temporarily restricted | | <u>240,343</u> |
| <u>Total Net Assets</u> | | <u>588,126</u> |

| | | |
|--|-----------|-----------------------|
| <u>TOTAL LIABILITIES AND NET ASSETS</u> | \$ | <u>588,999</u> |
|--|-----------|-----------------------|

CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 306,767 | \$ - | \$ 306,767 |
| Grants | - | 240,000 | 240,000 |
| Donated services | 48,103 | - | 48,103 |
| Interest income | <u>2,235</u> | <u>-</u> | <u>2,235</u> |
| | 357,105 | 240,000 | 597,105 |
| | | | |
| Net Assets Released from Restrictions | <u>80,792</u> | <u>(80,792)</u> | <u>-</u> |
| <u>Total Support and Revenue</u> | <u>437,897</u> | <u>159,208</u> | <u>597,105</u> |
| | | | |
| OPERATING EXPENSES | | | |
| Program services | 383,281 | - | 383,281 |
| Management and general | 37,439 | - | 37,439 |
| Fundraising | <u>4,525</u> | <u>-</u> | <u>4,525</u> |
| <u>Total Operating Expenses</u> | <u>425,245</u> | <u>-</u> | <u>425,245</u> |
| | | | |
| CHANGE IN NET ASSETS | 12,652 | 159,208 | 171,860 |
| | | | |
| Net Assets, Beginning | <u>335,131</u> | <u>81,135</u> | <u>416,266</u> |
| | | | |
| Net Assets, Ending | <u>\$ 347,783</u> | <u>\$ 240,343</u> | <u>\$ 588,126</u> |

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Salaries and benefits | \$ 38,384 | \$ 11,456 | \$ - | \$ 49,840 |
| Donated services | 36,828 | 7,000 | 4,275 | 48,103 |
| Education | 107,659 | - | - | 107,659 |
| Housing | 48,227 | - | - | 48,227 |
| Nutrition | 63,162 | - | - | 63,162 |
| Health care | 26,419 | - | - | 26,419 |
| Travel | 9,642 | 1,526 | - | 11,168 |
| Professional fees | 28,735 | 14,366 | - | 43,101 |
| Postage and shipping | 504 | 80 | - | 584 |
| Occupancy | 3,116 | 493 | - | 3,609 |
| Office supplies | 3,805 | 602 | - | 4,407 |
| Advertising | 2,080 | - | - | 2,080 |
| Miscellaneous | 632 | 99 | 250 | 981 |
| Insurance | 1,986 | 314 | - | 2,300 |
| Equipment rental | 1,111 | - | - | 1,111 |
| Depreciation | 3,284 | 520 | - | 3,804 |
| Bank fees | 1,000 | 158 | - | 1,158 |
| Telephone and internet | 1,325 | 210 | - | 1,535 |
| Repairs and maintenance | 663 | 105 | - | 768 |
| Printing and reproduction | 1,496 | - | - | 1,496 |
| Staff training and development | <u>3,223</u> | <u>510</u> | <u>-</u> | <u>3,733</u> |
| | <u>\$ 383,281</u> | <u>\$ 37,439</u> | <u>\$ 4,525</u> | <u>\$ 425,245</u> |

CHILDREN OF VIETNAM
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

| | |
|--|-----------------------|
| OPERATING ACTIVITIES | |
| Change in net assets | \$ 171,860 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 3,804 |
| Increase (decrease) in operating assets and liabilities: | |
| Grants receivable | (37,268) |
| Short-term investments | (1,371) |
| Accrued payroll | 188 |
| Other | 328 |
| <u>Net Cash Provided by Operating Activities</u> | <u>137,541</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 137,541 |
| Cash and Cash Equivalents, Beginning | <u>247,656</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 385,197</u> |

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

Children of Vietnam (the "Organization") is a nonprofit corporation established in 1998 to provide direct aid in the form of providing good nutrition, life saving medical care, safe and secure housing, and access to education to poor and handicapped children in Vietnam.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

New Accounting Pronouncements

Effective July 1, 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The FASB Codification is the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP) and is effective for financial statements that cover annual periods ending after September 15, 2009. Other than resolving certain minor inconsistencies in current GAAP, it is not intended to change GAAP, but rather to make it easier to review and research GAAP applicable to a particular transaction or specific accounting issue.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes (FIN 48)*, was issued in 2006 and clarifies the accounting for the recognition and measurement of uncertainties in income taxes for all entities. The FASB deferred the effective date of FIN 48 until fiscal years beginning after December 15, 2008. The Organization's policy is to evaluate the likelihood that any uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination. The adoption of FIN 48 did not have a material impact on the Organization's financial statements.

In May 2009, the FASB issued new guidance for subsequent events. The new guidance, which is part of ASC 855, *Subsequent Events* (formerly known as SFAS No. 165) is intended to establish general standards of accounting for and disclosure of events that occur after the reporting date but before financial statements are issued or are available to be issued. Specifically, this guidance sets forth the period after the reporting date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the reporting date in its financial statements, and the disclosures that entity should make about events or transactions that occurred after the reporting date. The new guidance is effective for reporting periods ending after June 15, 2009. The Organization's adoption of the new guidance did not have a material effect on the Organization's financial statements.

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Topic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets – resources of the Organization that are not restricted by donors or grantors as to use or purpose. These resources include amounts generated from operations and undesignated gifts.

Temporarily restricted net assets – resources that carry a donor-imposed restriction that permits the Organization to use or expend the donated assets as specified and is satisfied by the passage of time or by actions of the Organization.

Permanently restricted net assets – resources that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and that only the earnings be used. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers deposits with initial maturities of three months or less to be cash equivalents. Cash consists solely of cash on deposit with banks. Cash on deposit may, at times, exceed federally insured limits. The Organization has not experienced any losses on these accounts.

Short-Term Investments

Short-term investments are composed of certificates of deposit with original maturities ranging from six months to one year.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services are recorded in the financial statements at their estimated fair value at the date of the gift. Additionally, a substantial number of volunteers and charitable companies have donated significant time to assist in the operations of the Organization; however, the value of these services has not been recognized in the accompanying financial statements since they do not meet the recognition criteria under U.S. generally accepted accounting principles. Although these amounts are not reflected in the financial statements, management estimates the fair value of these services to be approximately \$360,000 for the year ended December 31, 2009.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of the gift. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally from 3 to 5 years for furniture and equipment, and vehicles.

Functional Allocation of Expenses

The cost of the various programs, general administration, and fundraising has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the areas benefited.

Tax-Exempt Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated its subsequent events (events occurring after December 31, 2009) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2009:

| | | |
|-------------------------------|----|-----------------|
| Furniture and computers | \$ | 8,031 |
| Vehicles | | 2,133 |
| Less accumulated depreciation | | <u>(10,164)</u> |
| | \$ | <u><u>-</u></u> |

Depreciation expense totaled \$3,804 for the year ended December 31, 2009.

NOTE D: RESTRICTIONS ON NET ASSETS

Time restrictions of temporarily restricted net assets as of December 31, 2009 consists of \$240,343 from the Ford Foundation operations grants.

NOTE E: RELATED PARTY TRANSACTIONS

The Organization receives contributions from members of the Board of Directors. Contribution revenue from current Board members was approximately \$13,298 for the year ended December 31, 2009. There were no contributions receivable from Board members at December 31, 2009.