

CHILDREN OF VIETNAM

Financial Statements

December 31, 2010

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of Children of Vietnam (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 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 Children of Vietnam 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 U.S. generally accepted accounting principles.

Butler ■ Burke LLP

Winston-Salem, North Carolina
July 12, 2011

CHILDREN OF VIETNAM
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 519,351	\$ 385,197
Short-term investments	-	151,534
Grants receivable	-	52,268
Property and equipment, net	<u>-</u>	<u>-</u>
<u>TOTAL ASSETS</u>	<u>\$ 519,351</u>	<u>\$ 588,999</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued payroll	\$ -	\$ 873
<u>Total Liabilities</u>	<u>-</u>	<u>873</u>
Net Assets		
Unrestricted	326,765	315,124
Temporarily restricted	<u>192,586</u>	<u>273,002</u>
<u>Total Net Assets</u>	<u>519,351</u>	<u>588,126</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 519,351</u>	<u>\$ 588,999</u>

CHILDREN OF VIETNAM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 97,848	\$ 243,887	\$ 341,735
Donated goods, materials and services	178,076	-	178,076
Interest income	<u>2,676</u>	<u>-</u>	<u>2,676</u>
	278,600	243,887	522,487
Net assets released from restrictions	<u>324,303</u>	<u>(324,303)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>602,903</u>	<u>(80,416)</u>	<u>522,487</u>
OPERATING EXPENSES			
Program services	540,944	-	540,944
Management and general	30,441	-	30,441
Fundraising	<u>19,877</u>	<u>-</u>	<u>19,877</u>
<u>Total Operating Expenses</u>	<u>591,262</u>	<u>-</u>	<u>591,262</u>
CHANGE IN NET ASSETS	11,641	(80,416)	(68,775)
Net Assets, Beginning	<u>315,124</u>	<u>273,002</u>	<u>588,126</u>
Net Assets, Ending	<u>\$ 326,765</u>	<u>\$ 192,586</u>	<u>\$ 519,351</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	\$ 146,152	\$ 160,615	\$ 306,767
Grants	-	240,000	240,000
Donated goods, materials and services	190,663	-	190,663
Interest income	<u>2,235</u>	<u>-</u>	<u>2,235</u>
	339,050	400,615	739,665
Net assets released from restrictions	<u>208,748</u>	<u>(208,748)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>547,798</u>	<u>191,867</u>	<u>739,665</u>
OPERATING EXPENSES			
Program services	525,841	-	525,841
Management and general	37,439	-	37,439
Fundraising	<u>4,525</u>	<u>-</u>	<u>4,525</u>
<u>Total Operating Expenses</u>	<u>567,805</u>	<u>-</u>	<u>567,805</u>
CHANGE IN NET ASSETS	(20,007)	191,867	171,860
Net Assets, Beginning	<u>335,131</u>	<u>81,135</u>	<u>416,266</u>
Net Assets, Ending	<u>\$ 315,124</u>	<u>\$ 273,002</u>	<u>\$ 588,126</u>

CHILDREN OF VIETNAM
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 45,280	\$ 14,213	\$ -	\$ 59,493
Donated services	29,023	3,250	3,243	35,516
Education	112,578	-	-	112,578
Housing	80,111	-	-	80,111
Nutrition	189,964	-	-	189,964
Health care	16,286	-	-	16,286
Travel	6,716	1,062	-	7,778
Professional fees	33,132	8,177	15,000	56,309
Postage and shipping	248	39	-	287
Occupancy	10,863	1,719	-	12,582
Office supplies	4,383	693	-	5,076
Advertising	1,033	-	-	1,033
Miscellaneous	525	84	1,634	2,243
Insurance	2,038	323	-	2,361
Equipment rental	1,543	-	-	1,543
Bank fees	1,489	236	-	1,725
Telephone and internet	1,357	215	-	1,572
Repairs and maintenance	87	14	-	101
Printing and reproduction	1,659	-	-	1,659
Training and development	<u>2,629</u>	<u>416</u>	<u>-</u>	<u>3,045</u>
	<u>\$ 540,944</u>	<u>\$ 30,441</u>	<u>\$ 19,877</u>	<u>\$ 591,262</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	205,722	-	-	205,722
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
Training and development	<u>3,223</u>	<u>510</u>	<u>-</u>	<u>3,733</u>
	<u>\$ 525,841</u>	<u>\$ 37,439</u>	<u>\$ 4,525</u>	<u>\$ 567,805</u>

CHILDREN OF VIETNAM
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (68,775)	\$ 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	52,268	(37,268)
Short-term investments	151,534	(1,371)
Accrued payroll	(873)	188
Other	-	328
<u>Net Cash Provided by Operating Activities</u>	<u>134,154</u>	<u>137,541</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 134,154	 137,541
 Cash and Cash Equivalents, Beginning	 <u>385,197</u>	 <u>247,656</u>
 Cash and Cash Equivalents, Ending	 <u>\$ 519,351</u>	 <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 and their families 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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Subtopic 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 statements 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 comprised of certificates of deposit with original maturities ranging from six months to one year.

CHILDREN OF VIETNAM

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Donated Goods, Materials and Services

Donated goods, materials and services are recorded in the financial statements at their estimated fair value at the date of the gift totaling \$178,076 and \$190,663 for the years ended December 31, 2010 and 2009, respectively.

Additionally, a substantial number of volunteers and charitable companies have donated significant time and goods to further assist in the operations of the Organization; however, the value of these services and materials have 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 value of these services and materials to be approximately \$207,000 and \$217,000 for the years ended December 31, 2010 and 2009, respectively.

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, equipment, and vehicles.

Functional Allocation of Expenses

The costs of the various programs, general administration, and fundraising has been summarized on a functional basis in the statements 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. It is the opinion of management that the Organization has no significant uncertain tax positions that would be subject to change upon examination.

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.

CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated its subsequent events (events occurring after December 31, 2010) 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.

Reclassification

Certain amounts in the prior year have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE C: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture and computers	\$ 8,031	\$ 8,031
Vehicles	2,133	2,133
Less accumulated depreciation	<u>(10,164)</u>	<u>(10,164)</u>
	<u>\$ -</u>	<u>\$ -</u>

No depreciation expense was recorded in 2010 as all assets were fully depreciated. Depreciation expense totaled \$3,804 for the year ended December 31, 2009.

NOTE D: LEASES

In January 2011, the Organization entered into a one year lease for office space to commence on February 1, 2011. Future commitments related to this lease are \$9,600.

CHILDREN OF VIETNAM
NOTES TO FINANCIAL STATEMENTS

NOTE E: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Contributions, restricted for		
Education	\$ 47,832	\$ -
Housing	20,875	21,594
Health Care	16,627	11,065
Ford Foundation Grant purposes	<u>107,252</u>	<u>240,343</u>
	<u>\$ 192,586</u>	<u>\$ 273,002</u>

NOTE F: RELATED PARTY TRANSACTIONS

The Organization receives contributions from members of the Board of Directors. Contribution revenue from current Board members was approximately \$10,460 and \$13,298 for the years ended December 31, 2010 and 2009, respectively. There were no contributions receivable from Board members at December 31, 2010 and 2009.

NOTE G: CONCENTRATION OF SUPPORT

A significant amount of support has been provided by a few major contributors. While these contributors have been consistent in their support, it is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

NOTE H: RESTATEMENT

Support and program expenses previously reported for the year ended December 31, 2009 have been restated to reflect an additional \$142,560 of donated goods as part of the Organization's nutrition initiative. There is no impact on net assets or the change in net assets as a result of the restatement.