

**CHILD FAMILY HEALTH
INTERNATIONAL**

Financial Statements

December 31, 2011

CHILD FAMILY HEALTH INTERNATIONAL

Financial Statements

December 31, 2011

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Independent Auditor's Report

Board of Directors
Child Family Health International

I have audited the accompanying Statement of Financial Position of Child Family Health International as of December 31, 2011 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. My responsibility is to express an opinion on these financial statements based on my audit. The prior-year summarized comparative information has been derived from the Organization's 2010 financial statements and, in my report dated May 16, 2011, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Family Health International as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Antoinette G. Nies, CPA

April 19, 2012

CHILD FAMILY HEALTH INTERNATIONAL
Statement of Financial Position
December 31, 2011
(With Comparative Totals at December 31, 2010)

| | 2011 | 2010 |
|-----------------------------------------|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Equivalents | \$ 401,123 | \$ 450,706 |
| Investments | - | 2,998 |
| Accounts Receivable | 1,126 | 9,178 |
| Prepaid Expenses | 13,260 | 14,298 |
| Total Current Assets | 415,509 | 477,180 |
| Other Assets | | |
| Deposits | 3,218 | 2,818 |
| Property and Equipment - Net | 3,137 | 3,228 |
| Total Other Assets | 6,355 | 6,046 |
| Total Assets | \$ 421,864 | \$ 483,226 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | \$ 15,104 | \$ 29,304 |
| Accrued Expenses | 19,880 | 18,955 |
| Fees Received in Advance | 153,657 | 125,315 |
| Total Current Liabilities | 188,641 | 173,574 |
| NET ASSETS | | |
| Unrestricted | 193,869 | 279,428 |
| Temporarily Restricted | 39,354 | 30,224 |
| Total Net Assets | 233,223 | 309,652 |
| Total Liabilities and Net Assets | \$ 421,864 | \$ 483,226 |

CHILD FAMILY HEALTH INTERNATIONAL
Statement of Activities
For the Year Ended December 31, 2011
(With Comparative Totals at December 31, 2010)

| | Unrestricted | Temporarily Restricted | Total | |
|----------------------------------------------|-------------------|---------------------------|-------------------|-------------------|
| | | | 2011 | 2010 |
| SUPPORT AND REVENUE | | | | |
| Fees | \$ 1,256,680 | | \$ 1,256,680 | \$ 1,457,082 |
| Contributions and Grants | 108,128 | 84,238 | 192,366 | 261,282 |
| In-Kind Donations | 130,538 | | 130,538 | 1,087,490 |
| Contract Fees | 115,312 | | 115,312 | 99,834 |
| Interest Income | 76 | | 76 | 260 |
| Other Income | 1,103 | | 1,103 | 1,124 |
| Total Revenue | <u>1,611,837</u> | <u>84,238</u> | <u>1,696,075</u> | <u>2,907,072</u> |
| NET ASSETS RELEASED FROM RESTRICTIONS | <u>75,108</u> | <u>(75,108)</u> | - | - |
| EXPENSES | | | | |
| Program | 1,676,645 | | 1,676,645 | 2,709,577 |
| General and Administrative | 76,068 | | 76,068 | 79,745 |
| Fundraising | 19,791 | | 19,791 | 22,384 |
| Total Expenses | <u>1,772,504</u> | <u>-</u> | <u>1,772,504</u> | <u>2,811,706</u> |
| Change in Net Assets | (85,559) | 9,130 | (76,429) | 95,366 |
| NET ASSETS, Beginning of Year | <u>279,428</u> | <u>30,224</u> | <u>309,652</u> | <u>214,286</u> |
| NET ASSETS, End of Year | <u>\$ 193,869</u> | <u>\$ 39,354</u> | <u>\$ 233,223</u> | <u>\$ 309,652</u> |

CHILD FAMILY HEALTH INTERNATIONAL

Statement of Functional Expenses
For the Year Ended December 31, 2011
(With Comparative Totals at December 31, 2010)

| | Program | General and | | Total | |
|--------------------------------------|------------------|----------------|---------------|------------------|------------------|
| | | Administrative | Fundraising | 2011 | 2010 |
| Salaries | \$ 399,920 | \$ 18,669 | \$ 13,507 | \$ 432,096 | \$ 392,563 |
| Payroll Taxes and Benefits | 92,207 | 4,828 | 2,484 | 99,519 | 97,946 |
| | <u>492,127</u> | <u>23,497</u> | <u>15,991</u> | <u>531,615</u> | <u>490,509</u> |
| Medical Student Exchange Costs | 661,086 | | | 661,086 | 703,358 |
| Program Development and Support | 160,141 | | | 160,141 | 402,591 |
| Advertising and Promotion | 114,811 | 100 | 42 | 114,953 | 153,170 |
| Outreach | 74,933 | 127 | 54 | 75,114 | 69,174 |
| Travel | 48,304 | 476 | | 48,780 | 44,820 |
| Occupancy | 33,763 | 1,868 | 790 | 36,421 | 33,482 |
| Professional Fees | | 30,389 | | 30,389 | 32,896 |
| Credit Card and Wire Transfer Fees | 27,509 | | | 27,509 | 31,181 |
| Other Expenses | 7,697 | 8,171 | 169 | 16,037 | 14,493 |
| Printing and Design | 12,609 | 293 | 1,886 | 14,788 | 24,931 |
| Web Hosting and Computer Maintenance | 11,599 | 631 | 267 | 12,497 | 12,102 |
| Insurance | 2,500 | 7,158 | | 9,658 | 9,884 |
| Materials and Supplies | 7,901 | 183 | 92 | 8,176 | 5,714 |
| Telephone | 5,954 | 1,803 | 139 | 7,896 | 6,494 |
| Dues and Subscriptions | 5,948 | 883 | 248 | 7,079 | 3,964 |
| Website Design | 3,800 | | | 3,800 | 3,075 |
| Postage and Shipping | 2,935 | 369 | 62 | 3,366 | 3,514 |
| Assistance to Partners | 841 | | | 841 | 813 |
| Medical Supplies and Transportation | 23 | | | 23 | 761,954 |
| | <u>1,674,481</u> | <u>75,948</u> | <u>19,740</u> | <u>1,770,169</u> | <u>2,808,119</u> |
| Total Expenses Before Depreciation | | | | | |
| Depreciation | 2,164 | 120 | 51 | 2,335 | 3,587 |
| | <u>1,676,645</u> | <u>76,068</u> | <u>19,791</u> | <u>1,772,504</u> | <u>2,811,706</u> |
| Total Expenses | | | | | |

CHILD FAMILY HEALTH INTERNATIONAL

Statement of Cash Flows

For the Year Ended December 31, 2011

(With Comparative Totals at December 31, 2010)

| | 2011 | 2010 |
|----------------------------------------------------------------------------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (76,429) | \$ 95,366 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operations | | |
| Depreciation | 2,335 | 3,587 |
| Donated Investments | - | (2,998) |
| (Gain) on Sale of Investments | (308) | (793) |
| Loss on Disposal of Equipment | - | 99 |
| (Increases) Decreases in Operating Assets | | |
| Accounts Receivable | 8,052 | (9,178) |
| Prepaid Expenses | 1,038 | (4,636) |
| Deposits | (400) | (317) |
| Increases (Decreases) in Operating Liabilities | | |
| Accounts Payable | (14,200) | 8,190 |
| Accrued Expenses | 925 | (519) |
| Fees Received in Advance | 28,342 | (54,336) |
| Net Cash Provided (Used) by Operating Activities | (50,645) | 34,465 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Equipment | (2,244) | (2,256) |
| Sales of Investments | 3,306 | 3,569 |
| Net Cash Provided by Investing Activities | 1,062 | 1,313 |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | (49,583) | 35,778 |
| CASH AND EQUIVALENTS, Beginning of Year | 450,706 | 414,928 |
| CASH AND EQUIVALENTS, End of Year | \$ 401,123 | \$ 450,706 |

CHILD FAMILY HEALTH INTERNATIONAL

Notes to Financial Statements

December 31, 2011

1. **Organization**

The Child Family Health International (CFHI) is a not-for-profit organization created to encourage and facilitate U.S. medical students to work abroad. The central philosophy of CFHI is to narrow the gap between existing medical technology and its accessibility to underserved populations. Since 1993, the CFHI Global Service Learning program has arranged for over 1,700 medical students, volunteers, and allied health professionals to work and study in Ecuador, India, Mexico and South Africa. Through its Recover program, CFHI salvages reusable medical equipment and supplies and distributes them to international partner programs and other needy communities worldwide.

CFHI is supported primarily through program fees and private contributions.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts Receivable are stated at unpaid balances. CFHI considers accounts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expenses, other assets, accounts payable and accrued expenses, none of which are held for trading purposes, approximate the fair value due to the short-term nature of these instruments.

CHILD FAMILY HEALTH INTERNATIONAL

Notes to Financial Statements

December 31, 2011

(continued)

2. Summary of Significant Accounting Policies – continued

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment and Depreciation

The Program capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CFHI.

Functional Allocation of Expenses

Costs of providing CFHI's programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CHILD FAMILY HEALTH INTERNATIONAL

Notes to Financial Statements

December 31, 2011

(continued)

2. Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. The Organization does not believe its financial statements include any uncertain tax positions.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year December 31, 2010, from which the summarized information was derived.

3. Property and Equipment

Property and Equipment consist of the following:

| | |
|--------------------------------|-----------------|
| Office Equipment and Furniture | \$ 24,504 |
| Less: Accumulated Depreciation | <u>21,367</u> |
| Net Book Value | <u>\$ 3,137</u> |

CHILD FAMILY HEALTH INTERNATIONAL

Notes to Financial Statements

December 31, 2011

(continued)

4. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are restricted for the following purposes:

| | |
|---------------------------|------------------|
| Recover Program | \$ 20,715 |
| Community Health Projects | 5,019 |
| Genesis School | 4,113 |
| GSLP | 3,200 |
| India Programs | 2,007 |
| Tuberculosis | 2,000 |
| Curriculum Development | 1,218 |
| South America Programs | 932 |
| Mexico Programs | 150 |
| | <u>\$ 39,354</u> |

5. In-Kind Donations

The value of contributions included as In-Kind Donations in the statement of activities and the corresponding expenses for the year ended December 31, 2011, are as follows:

| | |
|-----------------------------------|-------------------|
| Program: | |
| Search Engine Positioning | \$ 96,057 |
| Access to Online Medical Research | <u>31,410</u> |
| | 127,467 |
| General and Administrative: | |
| Legal Services | <u>3,071</u> |
| | <u>\$ 130,538</u> |

6. Lease Agreement

The Organization is obligated under lease agreements for rent of facilities and equipment expiring in 2015 and 2013 respectively. Under the terms of the facility lease, the lease can be terminated with six months notice and payment of a \$9,510 termination fee. Rent expense under leases for the year ended December 31, 2011 was \$ 41,450.

Future minimum lease commitments are as follows:

| | |
|--------------------------|-------------------|
| Year Ending December 31, | |
| 2012 | \$ 41,165 |
| 2013 | 41,202 |
| 2014 | 40,733 |
| 2015 | <u>6,831</u> |
| | <u>\$ 129,931</u> |

CHILD FAMILY HEALTH INTERNATIONAL

Notes to Financial Statements

December 31, 2011

(continued)

7. **Defined Contribution Plan**

CFHI has a defined contribution plan (the Plan) covering substantially all employees. Organization contributions to the Plan are discretionary. No contributions were made to the Plan in 2011.

8. **Concentrations of Credit Risk**

CFHI maintains its cash in bank deposit accounts in one financial institution. The balances in two accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balances in the third account are not. At December 31, 2011, CFHI's uninsured balances totaled approximately \$158,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

9. **Related Parties**

The president of the Board of Directors and founder of the Organization is also employed by the Organization. She received \$23,875 in wages during the fiscal year.

A member of CFHI's Board of Directors is also on the Board of Directors of a vendor of web-based services. During the year ended December 31, 2011, CFHI paid this vendor \$3,800 for services performed.

10. **Subsequent Events**

In preparing these financial statements, Management has evaluated events and transactions for potential recognition or disclosure through April 19, 2012, the date the financial statements were available to be issued, and does not believe there are any material subsequent events which would require further disclosure.