

**CHILDREN'S VOLUNTEER
HEALTH NETWORK, INC.**

Financial Statements

December 31, 2006

**CHILDREN'S VOLUNTEER
HEALTH NETWORK, INC.**

Financial Statements

December 31, 2006

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



36474A Emerald Coast Parkway, Suite 1201, Destin, FL 32541 (850) 837-0398

Board of Directors
Children's Volunteer Health Network, Inc.
Santa Rosa Beach, Florida

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Children's Volunteer Health Network, Inc. as of December 31, 2006, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Children's Volunteer Health Network, Inc.'s management.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. 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's Volunteer Health Network, Inc. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

O'Sullivan Creel, LLP

March 12, 2007

Children's Volunteer Health Network, Inc.
STATEMENT OF FINANCIAL POSITION
December 31, 2006

	<u>2006</u>
ASSETS	
Cash	
Unrestricted cash	\$ 180,974
Restricted	12,934
Prepaid expenses	1,547
Property and equipment, net	<u>2,653</u>
TOTAL ASSETS	<u>\$ 198,108</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 1,751
Agency donations	<u>12,934</u>
Total liabilities	<u>14,685</u>
NET ASSETS	
Unrestricted	<u>183,423</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 198,108</u>

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

Children's Volunteer Health Network, Inc.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

	2006
PUBLIC SUPPORT AND OTHER REVENUES	
Public support	
Contributions	\$ 69,187
In-kind contributions	<u>112,882</u>
Total public support	<u>182,069</u>
Revenues, gains and other support	
Fund raising/special events	175,178
In kind fundraising contributions	89,344
Interest income	<u>1,321</u>
Total revenues, gains and other support	<u>265,843</u>
 Total public support and other revenues	 <u>447,912</u>
EXPENSES	
Program services	<u>151,136</u>
Supporting services	
Administrative and general	54,992
Fundraising	<u>106,813</u>
Total supporting services	<u>161,805</u>
 Total expenses	 <u>312,941</u>
 Change in net assets	 134,971
 NET ASSETS - JANUARY 1	 <u>48,452</u>
 NET ASSETS - DECEMBER 31	 <u>\$ 183,423</u>

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

Children's Volunteer Health Network, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2006

	<u>Supporting Services</u>			Total Supporting Services	2006 Total
	<u>Program Services</u>	<u>Administrative and General</u>	<u>Fund Raising</u>		
EXPENSES					
Direct					
Program expenses	125,048	2,601	1,202	3,803	128,851
Salaries, benefits and related taxes	15,990	36,026	9,124	45,150	61,140
Postage	-	366	-	366	366
Travel	141	-	-	-	141
Legal & professional	-	1,118	-	1,118	1,118
Telephone and utilities	3,212	378	189	567	3,779
Insurance	-	913	-	913	913
Fundraising	-	2,680	95,901	98,581	98,581
Rent	-	6,300	-	6,300	6,300
Miscellaneous	-	2,351	-	2,351	2,351
Office	6,745	794	397	1,191	7,936
Bad debt	-	500	-	500	500
	<u>151,136</u>	<u>54,027</u>	<u>106,813</u>	<u>160,840</u>	<u>311,976</u>
Total direct expenses					
Depreciation	-	965	-	965	965
	<u>-</u>	<u>965</u>	<u>-</u>	<u>965</u>	<u>965</u>
TOTAL EXPENSES	151,136	54,992	106,813	161,805	312,941
EXPENSES REPORTED BY FUNCTION	<u>\$ 151,136</u>	<u>\$ 54,992</u>	<u>\$ 106,813</u>	<u>\$ 161,805</u>	<u>\$ 312,941</u>

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

Children's Volunteer Health Network, Inc.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2006

	2006
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 134,971
Adjustments to reconcile change in net assets to cash flows from operating activities	
Bad debt	500
Depreciation	965
(Increase) decrease in	
Prepaid expenses and other assets	(1,546)
Increase (decrease) in	
Accounts payable	<u>8,605</u>
Cash flows from operating activities	<u>143,495</u>
 Net change in cash and cash equivalents	 143,495
 CASH - JANUARY 1	 <u>50,413</u>
 CASH - DECEMBER 31	 <u>193,908</u>
 UNRESTRICTED	 180,974
 RESTRICTED	 <u>12,934</u>
 TOTAL CASH - DECEMBER 31	 <u>\$ 193,908</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest paid	<u>\$ -</u>

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

Children's Volunteer Health Network, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose

The Children's Volunteer Health Network, Inc. "CVHN," is a not-for-profit organization incorporated under the laws of Florida on August 09, 2005 and is headquartered in Santa Rosa Beach, Florida. CVHN is organized for charitable, religious, and educational purposes that:

- Facilitate the delivery of medical and dental services to low income children.
- Facilitate the delivery of mental health services to low income children.
- Facilitate the delivery of mentoring services to low income children.

B. Basis of Accounting

CVHN follows standards of accounting and financial reporting prescribed for voluntary health and welfare agencies. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred. All contributions are considered unrestricted unless specifically restricted by the donor.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities.

C. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, CVHN is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Board designated or appropriated amounts are reported as part of the unrestricted class since the Board has the authority to change or withdraw such designations or appropriations.
- Temporarily restricted net assets contain donor-imposed restrictions which require CVHN to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of CVHN. CVHN has no temporarily restricted net assets at December 31, 2006.

Children's Volunteer Health Network, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

- Permanently restricted net assets contain donor-imposed restrictions requiring the resources to be maintained permanently, but generally allowing CVHN to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. CVHN has no permanently restricted net assets at December 31, 2006.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, CVHN considers all highly-liquid investments available for use with an original maturity of three months or less to be classified as cash equivalents.

E. Restricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

F. Fixed Assets

CVHN follows the practice of capitalizing acquisitions of assets in excess of \$500; or, if donated, at fair market value at the date of acquisition. The cost of property and equipment is depreciated over the estimated useful lives of the related assets.

G. Donated Space, Materials and Services

Professional services that are donated are reflected on the statement of activities as in kind contributions. Donated space is reflected on the statement of activities as in kind contributions and stated at fair rental value. In addition, many individuals volunteer their time and perform a variety of tasks that assist CVHN with specific program services and campaign solicitation.

H. Income Taxes

CVHN has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3) as a not-for-profit corporation. CVHN has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Children's Volunteer Health Network, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Estimates

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

J. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis on the Statement of Activities. Expenses directly related to program, administrative, or fund raising activities are charged to the individual program, administrative activity, or fund raiser. Indirect expenses are allocated to the program based on the ratio of individual program expenses to total direct expenses for all programs.

NOTE 2 - PROPERTY AND EQUIPMENT

Major classifications of property and equipment and their respective lives are summarized as follows:

	<u>Unrestricted</u>	<u>Depreciable Life</u>
Computer equipment	\$ 3,618	5 Years
Less accumulated depreciation	(965)	
Property and equipment, net	\$ 2,653	

Depreciation expense totaled \$965 for the period ended December 31, 2006.

NOTE 3 - AGENCY TRANSACTIONS

An agent acts for and on the behalf of others through the acceptance of assets that will be transferred to a specified beneficiary. The transfer of assets from the donor is not a contribution received by the agent and the transfer of those assets to the intended beneficiary is not a contribution made by the agent. SFAS No. 136, "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others" requires that the agent shall recognize cash from the donor as well as its liability to the specified beneficiary. Both the asset and related liability should be measured at the fair value of the assets received.

Children's Volunteer Health Network, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 3 - AGENCY TRANSACTIONS (CONTINUED)

During 2006, CVHN received \$25,862 during a fund raiser for a specified beneficiary, the local Cystic Fibrosis Organization. These donations qualify as agency funds as they are for a specified beneficiary other than CVHN. In November 2006, CVHN distributed \$11,928 to the National Cystic Fibrosis Organization and \$1,000 to an individual. At December 31, 2006, CVHN has a liability remaining to be used for local families and children affected by Cystic Fibrosis for \$12,934.

NOTE 4 - CONCENTRATION OF CREDIT RISK

CVHN maintains its cash balances at one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006, CVHN had cash balances of \$93,908 in excess of FDIC insured limits.

NOTE 5 - CONTRIBUTED SERVICES

CVHN relies on contributed services, contributed office space, and other items from professionals and community members in order to maintain its mission. The following table summarizes the contributed services and other in kind contributions:

Dental services	\$ 58,577
Medical services	24,164
Mental health services	<u>14,633</u>
Total professional services	97,374
Office space	6,300
Vehicles	5,008
Total other items	<u>4,200</u>
Total in-kind contributions	<u>\$ 112,882</u>

In addition to the above contributed services, CVHN utilized volunteers to carry out both the program and fundraising activities. During 2006, volunteers contributed 2,800 hours of service.

CVHN recognizes in-kind expenses with the in-kind contributions, accordingly, the total in-kind expenses for the year ended December 31, 2006 is \$112,882.