

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.

SANTA ROSA BEACH, FLORIDA

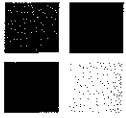
FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
SANTA ROSA BEACH, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Children's Volunteer Health Network, Inc. (a nonprofit corporation) as of December 31, 2007, and the related statement 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 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 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, 2007, 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.

Tipton, Marler, Garner & Chastain, CPAs

Panama City, Florida
September 15, 2008

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

Cash	\$ 253,207
Prepaid Expenses	1,439
Property and Equipment, net	<u>1,929</u>
TOTAL ASSETS	\$ <u>256,575</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts Payable	<u>3,602</u>
NET ASSETS	
Unrestricted	<u>252,973</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>256,575</u>

See the accompanying notes.

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

PUBLIC SUPPORT AND OTHER REVENUES

Public Support	
Contributions	\$ 23,353
In-Kind Contributions	<u>306,654</u>
Total public support	<u>330,007</u>

Revenues, gains and other support	
Fund raising/special events	182,552
Interest Income	<u>7,061</u>
Total revenues, gains and other support	<u>189,613</u>

Total public support and other revenues	<u>519,620</u>
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EXPENSES

Program Services	<u>324,181</u>
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Supporting Services	
Administrative and general	91,072
Fundraising	<u>34,817</u>
Total supporting services	<u>125,889</u>

Total Expenses	<u>450,070</u>
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Change in net assets	69,550
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NET ASSETS - JANUARY 1	<u>183,423</u>
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NET ASSETS - DECEMBER 31	<u><u>\$ 252,973</u></u>
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See the accompanying notes.

**CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007**

	Supporting Services			
	Program Services	Administrative and General	Fund Raising	Total Supporting Services
Expenses				
Direct				
Program Expenses	\$ 299,752	\$ 6,304	\$ 2,967	\$ 9,271
Salaries, benefits and related taxes	20,918	47,034	12,503	59,537
Postage	-	555	-	555
Travel	251	-	-	251
Legal & Professional	-	9,368	-	9,368
Telephone and utilities	3,260	410	211	621
Insurance	-	2,297	-	2,297
Fundraising	-	592	19,136	19,728
Rent	-	18,000	-	18,000
Miscellaneous	-	815	-	815
Office	-	4,973	-	4,973
Depreciation	-	724	-	724
TOTAL EXPENSES REPORTED BY FUNCTION	\$ 324,181	\$ 91,072	\$ 34,817	\$ 125,889
				\$ 450,070

See the accompanying notes.

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2007

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	\$ 69,550
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	724
(Increase) decrease in Prepaid Expense and other assets	107
Increase (decrease) in Accounts payable	<u>(11,082)</u>
Cash flow from operating activities	<u>59,299</u>
Net change in cash and cash equivalents	59,299
CASH - JANUARY 1	<u>193,908</u>
CASH - DECEMBER 31	<u><u>\$ 253,207</u></u>

See the accompanying notes.

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Children's Volunteer Health Network, Inc. "CHVN," is a not-for-profit organization incorporated under the laws of Florida on August 9, 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 under insured children.
- Facilitate the delivery of mental health services to under insured children.
- Facilitate the delivery of mentoring services to under insured children.

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 when 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.

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 for 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.

- *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, 2007.

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2007.

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.

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 restricted 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.

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.

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.

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

CVHN has been granted an exemption from income taxes under the Internal Revenue Code 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).

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.

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 fundraising activities are charged to the individual program, administrative activity, or fundraiser. 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	<u>(1,689)</u>	
Property and equipment, net	<u>\$ 1,929</u>	

Depreciation expense totaled \$724 for the period ended December 31, 2007.

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 specific 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. CVHN has no agency transactions at December 31, 2007.

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, 2007, CVHN had cash balances of \$153,207 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:

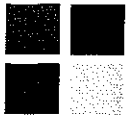
Dental services	\$ 65,509
Medical services	140,680
Mental Health services	<u>40,625</u>
Total Professional services	246,814
Office space	18,000
Volunteers	39,340
Other items	<u>2,500</u>
Total in-kind contributions	<u>\$ 306,654</u>

CHILDREN'S VOLUNTEER HEALTH NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3 – CONTRIBUTED SERVICES (CONTINUED)

In addition to the above contributed services, CVHN utilizes volunteers to carry out both the program and fundraising activities. During 2007, volunteers contributed 2,185 hours of service.

CVHN recognizes in-kind expenses with in-kind contributions, accordingly, the total in-kind expenses for the year ended December 31, 2007 is \$306,654.



COMMUNICATION OF SIGNIFICANT DEFICIENCIES

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

In planning and performing our audit of the financial statements of Children's Volunteer Health Network, Inc. as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Children's Volunteer Health Network, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for purposes of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Limited Segregation of Duties

As noted in the current year, as well as the prior year, the size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

More specifically, we noted that the bookkeeper has the potential to handle the incoming cash, prepare deposit slips, and post receipts to customer accounts and the general ledger. One of the most critical areas to maintain separation of duties is with cash receipts. When there is a large volume of cash coming in, we recommend that two individuals, together, open and reconcile any contributions. This step would help protect against possible loss or misappropriation of cash when it is most susceptible.

Corporate Debit Cards

During our audit, it came to our attention that CVHN has authorized the use of debit cards by employees and board members. There are no current policies and procedures in place for the use of the debit cards. We recommend that this practice be substantially discouraged to prevent the risk of loss of assets, because all transactions through debit cards have a direct impact on the corporate operating bank account. If the company wishes to continue this disbursement process, we recommend that the Board clarify policies and procedures on the debit card usage. Further, if a bank card is considered necessary, we recommend the use of credit cards since they provide a shield against the risk of loss, because all charges would be billed to the Organization for payment.

Payment of Invoices

Checks submitted to the officers for signature should in every case be accompanied by the supporting invoices which should be initialed to reflect final approval for payment and to prevent reuse of the invoices. We recommend that a stamp imprint, providing for check number, date, account charged, and final approval for payment be completed prior to payment. Further, paid invoices should be filed in a manner that makes them easily accessible.

In the case of expenditures not likely to be supported by a formal invoice, we recommend that preprinted "check request" forms be made available that will provide for date, payee, check number, description of expenditure, payee signature, and approval signature. These would serve as the supporting document accompanying checks to be signed.

In-Kind Contributions

CVHN receives In-Kind contributions from doctors for the services that are provided to the low income children. The current policy requires the doctor to file a "walk-out sheet" containing the value of service with CVHN. During our audit, we noted that not all doctors were filing these "walk-out sheets". We recommend that CVHN obtain the sheets and maintain them in the correct patient file.

Budget

We noted that CVHN does not have a formal budgetary process in place. We strongly recommend that an annual budget process be implemented. The format of the budget should closely match that of the financial statements and include all financial activity. This will allow for useful comparisons between budgeted and actual financial information as well as enable more meaningful and precise analysis of budget variances and spending patterns. We further recommend that a budget to actual comparison be presented to the Board monthly and any major variances investigated.

Bank Reconciliations

We noted that the bank reconciliations are not approved or signed off by supervisory personnel. Accounting personnel perform the bank reconciliation function. The review of the bank reconciliation would greatly enforce the checks and balances necessary for controls over cash.

We recommend that a member of management, such as the Executive Director, review the bank reconciliations for any unusual items, investigate and fully resolve any such items, and document his or her approval by initialing the form.

Financial Reporting

While conducting our audit, we noted that the final trial balance, general ledger and financial statements provided by CVHN were not complete or accurate as they relate to in-kind contributions and expenses.

We recommend that those responsible for posting entries to the general ledger include the posting of in-kind contributions and the related expenses on a regular basis. Our audit revealed that during 2008, management has implemented procedures to record the in-kind contributions and expenses on a timely basis.

Preparation of the Financial Statements

The Organization has evaluated the cost versus the benefit of establishing internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. They determined that it is in their best interests to outsource this task to their independent auditor, and to carefully review the draft financial statements and notes prior to approving and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Jiptm, Marler, Garner & Chastain, CPAs