

**CHILDREN OF VIETNAM**

**Winston Salem, North Carolina**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2008**

**CHUNG CPA, PA**

## CONTENTS

	<u>PAGES</u>
Independent Auditor's Report	2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-9

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2

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Children of Vietnam  
Winston Salem, North Carolina

We have audited the accompanying statement of financial position of Children of Vietnam, (a nonprofit Organization) as of December 31, 2008, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 of Vietnam as of December 31, 2008, 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.



Carrboro, North Carolina  
December 15, 2009

**CHILDREN OF VIETNAM**  
**STATEMENT OF FINANCIAL POSITION**  
**For the Year Ended December 31, 2008**

**ASSETS**

**CURRENT ASSETS:**

Cash and cash equivalents	\$ 397,819
Inventory	327
Grant receivable	15,000
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<b>TOTAL CURRENT ASSETS</b>	<b>413,146</b>

**PROPERTY AND EQUIPMENT:**

Property and equipment	10,164
Less: accumulated depreciation	6,360
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<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>3,804</b>
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 416,950</b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accrued payroll	\$ 685
Deferred revenue	62,425
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<b>TOTAL CURRENT LIABILITIES</b>	<b>63,110</b>
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**NET ASSETS:**

Unrestricted	353,840
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 416,950</b>

**CHILDREN OF VIETNAM**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND OTHER INCOME:</b>			
Contributions	\$ 195,803	\$ 106,783	\$ 302,586
Donated supplies	96,513	-	96,513
Grants		68,100	68,100
Interest income	4,423	-	4,423
	<u>296,739</u>	<u>174,883</u>	<u>471,622</u>
Net assets released from restrictions	174,883	(174,883)	-
<b>TOTAL SUPPORT AND OTHER INCOME</b>	<b>471,622</b>	<b>-</b>	<b>471,622</b>
<b>OPERATING EXPENSES:</b>			
Program services	357,733	-	357,733
Management and general	17,383	-	17,383
Fundraising	2,127	-	2,127
<b>TOTAL OPERATING EXPENSES</b>	<b>377,243</b>	<b>-</b>	<b>377,243</b>
<b>CHANGE IN NET ASSETS</b>	<b>94,379</b>	<b>-</b>	<b>94,379</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>259,461</b>	<b>-</b>	<b>259,461</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 353,840</b>	<b>\$ -</b>	<b>\$ 353,840</b>

The accompanying Notes to Financial Statements are an integral part of these statements.

**CHILDREN OF VIETNAM**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2008**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in net assets	\$ 94,379
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,174
Increase (decrease) in cash arising from changes in assets and liabilities:	
Grant receivable	(9,325)
Accounts payable	(1,560)
Accrued payroll	(304)
Deferred revenue	<u>62,425</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>146,789</u>
<b>CASH FLOW FROM INVESTING ACTIVITY -</b>	
Purchase of property and equipment	<u>(2,412)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>144,377</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>253,442</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 397,819</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**CHILDREN OF VIETNAM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2008**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Foreign salary	\$ 30,192	\$ 4,777	\$ -	\$ 34,969
Social Insurance	5,420	857	-	6,277
Program supplies	96,513	-	-	96,513
Education	77,753	-	-	77,753
Housing	47,478	-	-	47,478
Health care	28,270	-	-	28,270
Nutrition programs	22,847	-	-	22,847
Consulting	15,794	2,499	-	18,293
Travel	9,174	1,452	-	10,626
Audit fee	-	4,525	-	4,525
Professional fees	3,435	544	-	3,979
Postage and delivery	3,419	541	-	3,960
Occupancy	3,332	527	-	3,859
Office supplies	3,240	513	-	3,753
Advertising	2,150	-	-	2,150
Fundraising	-	-	2,127	2,127
Miscellaneous	1,751	277	-	2,028
Insurance	1,367	216	-	1,583
Equipment rental	1,296	-	-	1,296
Depreciation	1,014	160	-	1,174
Bank fees	904	143	-	1,047
Telephone and internet	887	140	-	1,027
Repairs and maintenance	718	114	-	832
Exchange difference	486	77	-	563
Printing and reproduction	163	-	-	163
Dues and subscriptions	130	21	-	151
	<hr/> <u>\$ 357,733</u>	<hr/> <u>\$ 17,383</u>	<hr/> <u>\$ 2,127</u>	<hr/> <u>\$ 377,243</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

**CHILDREN OF VIETNAM****NOTES TO FINANCIAL STATEMENTS**

Page 1 of 3

**ORGANIZATION AND PURPOSE**

Children of Vietnam (the Organization) is a non-profit corporation established on July 1, 1998 to provide direct aid to poor and handicapped children in Vietnam.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Accounting.**

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, support and revenues are recognized when earned or realized and expenses are recognized when incurred. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**B. Basis of presentation.**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues, and stipulates that the organization classify contributions under each net asset category in accordance with donor imposed restrictions. SFAS No. 117 establishes standards for external financial reporting and requires the organization to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donors of the assets permit the organization to use all of the income earned on related investments for general or specific purposes.

## NOTES TO FINANCIAL STATEMENTS

Page 2 of 3

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C. Cash and Cash Equivalents.**

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**D. Property and Equipment.**

Property and equipment is stated at cost for purchased assets and at a fair market value on the date of the gift for donated assets. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specified 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 contributions. If the donors do not specify such restrictions, the contribution should be reported as restricted support since the Organization has adopted an accounting policy of implying a time restriction on the use of such assets that expires over the assets' useful lives. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Maintenance, repairs, and small equipment purchases are charged to expense when incurred. Betterments and renewals in excess of \$500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved and any gain or loss is recorded.

For the year ended December 31, 2008, depreciation expense totaled \$1,174.

**E. Estimates.**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**F. Functional Allocation of Costs.**

Certain costs have been allocated between program, management and general, and fundraising based on management's assessment of time incurred on these functions.

## CHILDREN OF VIETNAM

### NOTES TO FINANCIAL STATEMENTS

Page 3 of 3

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### G. Income Taxes.

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and is classified as other than a private foundation because it is an organization of the type described in Internal Revenue Code Section 170(b)(1)(A)(vi). It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act.

#### **CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances at one domestic financial institution and one foreign financial institution in Vietnam. Accounts at this financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2008, the Organization had \$150,000 in excess of \$250,000.

#### **DONATED SERVICES**

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2008, no donated service was recognized.

#### **PROGRAM ACTIVITIES**

The Organization's primary program activities consist of the following program expenditures:

	2008
Education program	\$ 157,728
Housing program	96,312
Nutrition program	46,346
Health care program	<u>57,347</u>
	<u><u>\$ 357,733</u></u>