

**CHILDREN OF VIETNAM**

**Financial Statements**

**December 31, 2011 and 2010**

## **TABLE OF CONTENTS**

---

<b>Independent Auditors' Report.....</b>	<b>2</b>
<b>Statements of Financial Position .....</b>	<b>3</b>
<b>Statements of Activities .....</b>	<b>4 - 5</b>
<b>Statements of Functional Expenses .....</b>	<b>6 - 7</b>
<b>Statements of Cash Flows.....</b>	<b>8</b>
<b>Notes to Financial Statements.....</b>	<b>9 - 13</b>

B U T T L E R ■ B U R K E  
C E R T I F I E D   P U B L I C   A C C O U N T A N T S

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, 2011 and 2010, 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, 2011 and 2010, 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  
August 8, 2012

**CHILDREN OF VIETNAM**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2011 and 2010**

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	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 472,204	\$ 519,351
Short-term investments	157,524	-
Property and equipment, net	-	-
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 629,728</u></b>	<b><u>\$ 519,351</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities	\$ -	\$ -
<b>Net Assets</b>		
Unrestricted		
Undesignated	305,641	326,765
Board designated	10,000	-
Temporarily restricted	314,087	192,586
<b><u>Total Net Assets</u></b>	<b><u>629,728</u></b>	<b><u>519,351</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 629,728</u></b>	<b><u>\$ 519,351</u></b>

**CHILDREN OF VIETNAM  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2011**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 106,092	\$ 275,468	\$ 381,560
Grants	-	83,000	83,000
Donated goods, materials and services	243,898	-	243,898
Interest income	1,797	-	1,797
	351,787	358,468	710,255
Net assets released from restrictions	236,967	(236,967)	-
<b><u>Total Support and Revenue</u></b>	<b><u>588,754</u></b>	<b><u>121,501</u></b>	<b><u>710,255</u></b>
<b>OPERATING EXPENSES</b>			
Program services	487,514	-	487,514
Management and general	67,307	-	67,307
Fundraising	45,057	-	45,057
<b><u>Total Operating Expenses</u></b>	<b><u>599,878</u></b>	<b><u>-</u></b>	<b><u>599,878</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(11,124)</b>	<b>121,501</b>	<b>110,377</b>
<b>Net Assets, Beginning</b>	<b>326,765</b>	<b>192,586</b>	<b>519,351</b>
<b>Net Assets, Ending</b>	<b>\$ 315,641</b>	<b>\$ 314,087</b>	<b>\$ 629,728</b>

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

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 97,848	\$ 243,887	\$ 341,735
Donated goods, materials and services	178,076	-	178,076
Interest income	2,676	-	2,676
	278,600	243,887	522,487
Net assets released from restrictions	324,303	(324,303)	-
<b>Total Support and Revenue</b>	<b>602,903</b>	<b>(80,416)</b>	<b>522,487</b>
<b>OPERATING EXPENSES</b>			
Program services	512,478	-	512,478
Management and general	47,520	-	47,520
Fundraising	31,264	-	31,264
<b>Total Operating Expenses</b>	<b>591,262</b>	<b>-</b>	<b>591,262</b>
CHANGE IN NET ASSETS	11,641	(80,416)	(68,775)
Net Assets, Beginning	315,124	273,002	588,126
Net Assets, Ending	<b>\$ 326,765</b>	<b>\$ 192,586</b>	<b>\$ 519,351</b>

**CHILDREN OF VIETNAM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2011

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Salaries and benefits</b>	\$ 69,586	\$ 27,768	\$ 20,045	\$ 117,399
<b>Donated services</b>	1,800	18,325	14,540	34,665
<b>Education</b>	94,434	-	-	94,434
<b>Housing</b>	32,660	-	-	32,660
<b>Nutrition</b>	239,991	-	-	239,991
<b>Health care</b>	11,945	-	-	11,945
<b>Livelihood</b>	10,090	-	-	10,090
<b>Travel and meetings</b>	2,028	2,293	2,083	6,404
<b>Professional fees</b>	9,440	9,347	113	18,900
<b>Postage and shipping</b>	-	475	297	772
<b>Occupancy</b>	8,621	1,303	100	10,024
<b>Office supplies</b>	-	2,197	-	2,197
<b>Advertising</b>	-	279	1,226	1,505
<b>Fundraising</b>	-	-	5,602	5,602
<b>Miscellaneous</b>	-	597	180	777
<b>Insurance</b>	32	1,722	-	1,754
<b>Equipment rental</b>	878	-	-	878
<b>Bank fees</b>	-	1,264	-	1,264
<b>Telephone and internet</b>	1,319	199	15	1,533
<b>Repairs and maintenance</b>	-	347	-	347
<b>Printing and reproduction</b>	-	1,191	856	2,047
<b>Training and development</b>	<u>4,690</u>	<u>-</u>	<u>-</u>	<u>4,690</u>
	<u>\$ 487,514</u>	<u>\$ 67,307</u>	<u>\$ 45,057</u>	<u>\$ 599,878</u>

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

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Salaries and benefits</b>	<b>\$ 45,280</b>	<b>\$ 14,213</b>	<b>\$ -</b>	<b>\$ 59,493</b>
Donated services	557	20,329	14,630	35,516
<b>Education</b>	<b>112,578</b>	<b>-</b>	<b>-</b>	<b>112,578</b>
<b>Housing</b>	<b>80,111</b>	<b>-</b>	<b>-</b>	<b>80,111</b>
<b>Nutrition</b>	<b>189,964</b>	<b>-</b>	<b>-</b>	<b>189,964</b>
<b>Health care</b>	<b>16,286</b>	<b>-</b>	<b>-</b>	<b>16,286</b>
<b>Travel and meetings</b>	<b>6,716</b>	<b>1,062</b>	<b>-</b>	<b>7,778</b>
<b>Professional fees</b>	<b>33,132</b>	<b>8,177</b>	<b>15,000</b>	<b>56,309</b>
<b>Postage and shipping</b>	<b>248</b>	<b>39</b>	<b>-</b>	<b>287</b>
<b>Occupancy</b>	<b>10,863</b>	<b>1,719</b>	<b>-</b>	<b>12,582</b>
<b>Office supplies</b>	<b>4,383</b>	<b>693</b>	<b>-</b>	<b>5,076</b>
<b>Advertising</b>	<b>1,033</b>	<b>-</b>	<b>-</b>	<b>1,033</b>
<b>Fundraising</b>	<b>-</b>	<b>-</b>	<b>1,634</b>	<b>1,634</b>
<b>Miscellaneous</b>	<b>525</b>	<b>84</b>	<b>-</b>	<b>609</b>
<b>Insurance</b>	<b>2,038</b>	<b>323</b>	<b>-</b>	<b>2,361</b>
<b>Equipment rental</b>	<b>1,543</b>	<b>-</b>	<b>-</b>	<b>1,543</b>
<b>Bank fees</b>	<b>1,489</b>	<b>236</b>	<b>-</b>	<b>1,725</b>
<b>Telephone and internet</b>	<b>1,357</b>	<b>215</b>	<b>-</b>	<b>1,572</b>
<b>Repairs and maintenance</b>	<b>87</b>	<b>14</b>	<b>-</b>	<b>101</b>
<b>Printing and reproduction</b>	<b>1,659</b>	<b>-</b>	<b>-</b>	<b>1,659</b>
<b>Training and development</b>	<b>2,629</b>	<b>416</b>	<b>-</b>	<b>3,045</b>
	<b><u>\$ 512,478</u></b>	<b><u>\$ 47,520</u></b>	<b><u>\$ 31,264</u></b>	<b><u>\$ 591,262</u></b>

**CHILDREN OF VIETNAM**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2011 and 2010

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	<u>2011</u>	<u>2010</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 110,377	\$ (68,775)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(A) Increase (decrease) in operating assets:		
Grants receivable	- 52,268	
Short-term investments	(157,524) 151,534	
(A) Increase (decrease) in operating liabilities:		
Accrued payroll	- (873)	
<b><u>Net Cash Provided by (Used in) Operating Activities</u></b>	<b><u>(47,147)</u></b>	<b><u>134,154</u></b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b><u>(47,147)</u></b>	<b><u>134,154</u></b>
<b>Cash and Cash Equivalents, Beginning</b>	<b><u>519,351</u></b>	<b><u>385,197</u></b>
<b>Cash and Cash Equivalents, Ending</b>	<b><u>\$ 472,204</u></b>	<b><u>\$ 519,351</u></b>

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

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**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.

These four core initiatives address specific needs required to nurture a child to adulthood. On many occasions a child may receive services in several of these initiatives, but the support is not coordinated into a fabric of services. The Organization also maintains two special initiatives, the Hope System of Care for Children with Disabilities and the Empowering Foundation for Women and their Children. These special initiatives target vulnerable populations and offer comprehensive services utilizing the Organization's four core initiatives.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

**Basis of Presentation**

The Organization presents its net assets and its support and revenue based upon the absence or existence of donor-imposed restrictions as follows:

**Unrestricted net assets** – net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

**Temporarily restricted net assets** – net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

**Permanently restricted net assets** – net assets that contain donor-imposed restrictions stipulating that amounts be maintained in perpetuity. Part or all of the income earned may be expended according to donor stipulations. The Organization does not have any permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions.

**Contributions**

Contributions, which include unconditional promises to give (pledges and grants), are recognized as revenues in the period the commitment is made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

**CHILDREN OF VIETNAM  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$243,898 and \$178,076 for the years ended December 31, 2011 and 2010, respectively.

Additionally, a substantial number of volunteers and charitable companies have donated significant time to further assist in the operations of the Organization; however, the value of these services have not been recognized in the accompanying financial statements since they do not meet the recognition criteria under GAAP.

**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.

**Short-Term Investments**

Short-term investments are comprised of certificates of deposit with original maturities ranging from six months to one year.

**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 providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Directly identifiable expenses are charged to the appropriate programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of estimates made by management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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**

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-Exempt Status**

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes. The Organization did not recognize any unrelated business income for the years ended December 31, 2011 and 2010.

The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Organization has no uncertain tax positions that would be subject to change upon examination.

The Organization is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Organization's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP 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.

**Subsequent Events**

The Organization has evaluated its subsequent events (events occurring after December 31, 2011) 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.

**Reclassifications**

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

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

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**NOTE C: CONCENTRATIONS AND CONTINGENCIES**

The Organization has demand deposit accounts in which the balance, at times, may exceed federally insured amounts. The Organization has not experienced any losses on these deposits and does not believe it is exposed to significant credit and market risk.

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 reasonable possible that contributors might be lost in the near term.

In addition, certain grantors reserve the right to review expenditures and request funds of amounts determined not to qualify under the grant agreements.

The Organization's program services operates in Da Nang, Vietnam. Foreign operations are subject to risks inherent in operating under a different legal system and economic and political environment. Among the risks are changes in existing tax laws, possible limitations on foreign income reparation, government price or foreign exchange controls, and restrictions on currency exchange. Net assets of foreign operations are approximately 1% of the Organization's total net assets.

**NOTE D: PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</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 2011 or 2010 as all assets were fully depreciated.

**NOTE E: LEASES**

In January 2012, the Organization entered into a one year lease for office space to commence on February 1, 2012. Future commitments related to this lease are \$12,000.

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

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**NOTE F: RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of the following as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
<b>Contributions, restricted for</b>		
Education	\$ 48,826	\$ 47,832
Housing	4,591	20,875
Health Care	22,699	16,627
Hope System of Care	123,171	-
<b>Grants, restricted for</b>		
Ford Foundation purposes	33,027	107,252
Aspen Institute purposes	<u>81,773</u>	<u>-</u>
	<u><b>\$ 314,087</b></u>	<u><b>\$ 192,586</b></u>

**NOTE G: RELATED PARTY TRANSACTIONS**

The Organization receives contributions from members of the Board of Directors. Contribution revenue from current Board members was approximately \$18,489 and \$10,460 for the years ended December 31, 2011 and 2010, respectively. There were no contributions receivable from Board members at December 31, 2011 and 2010.