

TRANSPLANTS FOR CHILDREN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2007 and 2006

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POLANSKY McNUTT PERRY & COMPANY

Edward M. Polansky Laura G. McNutt Paul E. Perry C. Michael Gentry John Crider

A Professional Corporation of
Certified Public Accountants

Independent Auditor's Report

Board of Directors
Transplants for Children
San Antonio, Texas

We have audited the accompanying statement of financial position of Transplants for Children (a non-profit organization) as of December 31, 2007 and the related statements of activities and changes in net assets, functional expenses and cash flow for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit. The 2006 financial statements were audited by other auditors whose report dated February 22, 2007, expressed an unqualified opinion on those financial statements.

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 consolidated 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 assets, liabilities, and net assets of Transplants for Children as of December 31, 2007, and its activities, changes in net assets and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Polansky McNutt Perry & Company

February 28, 2008

FINANCIAL STATEMENTS

**TRANSPLANTS FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 and 2006**

	ASSETS	
	2007	2006
ASSETS:		
Cash and Cash Equivalents	\$ 556,963	\$ 250,955
Accounts Receivable	200	26,305
Prepaid Expenses	3,949	3,488
Furniture and Equipment, Net	46,002	23,869
Investments:		
Temporarily Restricted	110,874	106,265
Endowment, Permanently Restricted	291,126	283,333
 TOTAL ASSETS	 \$ 1,009,114	 \$ 694,215

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts Payable	\$ 11,675	\$ 33,024
Accrued Expenses	7,816	15,960
Total Liabilities	19,491	48,984
 NET ASSETS:		
Unrestricted	430,926	147,192
Temporarily Restricted	216,736	214,706
Permanently Restricted	341,961	283,333
Total Net Assets	989,623	645,231
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,009,114	 \$ 694,215

See auditor's report and accompanying notes to financial statements.

TRANSPLANTS FOR CHILDREN
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
DECEMBER 31, 2007

SUPPORT AND REVENUES	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
Grant and Contribution Revenues:				
United Way	\$ 126,506	\$ -	\$ -	\$ 126,506
MHM	-	23,144	-	23,144
Donated Rent	25,920	-	-	25,920
Bequests and Other	<u>456,485</u>	<u>67,625</u>	-	<u>524,110</u>
	608,911	90,769	-	699,680
Special Events:				
Spring To Life Concert, Net	44,639	-	-	44,639
Golf tournament, Net	1,500	-	-	1,500
Casino Night, Net	39,281	-	-	39,281
Gayla's Gala, Net	131,026	-	-	131,026
Others, Net	<u>4,007</u>	-	-	<u>4,007</u>
	220,453	-	-	220,453
Investment Earnings:				
Interest	5,262	4,818	-	10,080
Realized Gain	-	-	12,885	12,885
Unrealized Loss	-	-	<u>(4,924)</u>	<u>(4,924)</u>
	<u>5,262</u>	<u>4,818</u>	<u>7,961</u>	<u>18,041</u>
Total Support and Revenues	834,626	95,587	7,961	938,174
EXPENSES				
Program Services	377,281	-	-	377,281
Supporting Services	100,987	-	168	101,155
Fundraising	<u>115,346</u>	-	-	<u>115,346</u>
Total Expenses	<u>593,614</u>	-	<u>168</u>	<u>593,782</u>
CHANGE IN NET ASSETS	241,012	95,587	7,793	344,392
Net Assets Released from Restrictions	104,757	(104,757)	-	-
Transfer to STARS Scholarships	(11,200)	11,200	-	-
Transfer to Endowment	(50,835)	-	50,835	-
Net Assets at Beginning of Year	<u>147,192</u>	<u>214,706</u>	<u>283,333</u>	<u>645,231</u>
Net Assets at End of Year	<u>\$ 430,926</u>	<u>\$ 216,736</u>	<u>\$ 341,961</u>	<u>\$ 989,623</u>

See auditor's report and accompanying notes to financial statements.

TRANSPLANTS FOR CHILDREN
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
DECEMBER 31, 2006

SUPPORT AND REVENUES	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2006</u>
Grant and Contribution Revenues:				
United Way	\$ 93,254	\$ -	\$ -	\$ 93,254
MHM	-	80,714	-	80,714
Donated Rent	25,920	-	-	25,920
Other	<u>119,404</u>	<u>152,867</u>	<u>16,824</u>	<u>289,095</u>
	238,578	233,581	16,824	488,983
Special Events:				
Trish Murphy, Net	65,795	-	-	65,795
Golf tournament, Net	37,827	-	-	37,827
Casino Night, Net	16,369	-	-	16,369
Others, Net	<u>(145)</u>	<u>-</u>	<u>-</u>	<u>(145)</u>
	119,846	-	-	119,846
Investment Earnings:				
Realized Gain	123	5,213	12,164	17,500
Unrealized Gain	<u>-</u>	<u>-</u>	<u>16,031</u>	<u>16,031</u>
	<u>123</u>	<u>5,213</u>	<u>28,195</u>	<u>33,531</u>
 Total Support and Revenues	 358,547	 238,794	 45,019	 642,360
 EXPENSES				
Program Services	317,611	-	-	317,611
Supporting Services	116,939	-	244	117,183
Fundraising	<u>142,462</u>	<u>-</u>	<u>-</u>	<u>142,462</u>
Total Expenses	<u>577,012</u>	<u>-</u>	<u>244</u>	<u>577,256</u>
 CHANGE IN NET ASSETS	 (218,465)	 238,794	 44,775	 65,104
Net Assets Released from Restrictions	248,579	(248,579)	-	-
Transfer to STARS Scholarships	(7,500)	7,500	-	-
Net Assets at Beginning of Year	<u>124,578</u>	<u>216,991</u>	<u>238,558</u>	<u>580,127</u>
 Net Assets at End of Year	 <u>\$ 147,192</u>	 <u>\$ 214,706</u>	 <u>\$ 283,333</u>	 <u>\$ 645,231</u>

See auditor's report and accompanying notes to financial statements.

**TRANSPLANTS FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2007**

	Program Services				Supporting Services		Totals 2007
	Family and Community Education	Social Services/ Counseling	Crisis Assistance	S.T.A.R.S	Management	Fundraising	
Salaries and Wages	\$ 22,860	\$ 32,453	\$ 33,777	\$ 28,699	\$ 50,414	\$ 56,491	\$ 224,694
Payroll Taxes	2,333	3,143	2,855	2,203	3,188	3,575	17,297
Other Employee Benefits	1,992	2,861	2,780	2,124	1,375	3,346	14,478
Professional Fees	-	20,500	-	540	15,774	24,000	60,814
Office Supplies	3,017	47	-	1,318	3,223	544	8,149
Telephone	-	576	2,527	-	3,011	3,140	9,254
Postage	2,111	490	889	481	1,009	1,129	6,109
Occupancy	3,666	4,863	4,631	3,594	6,655	5,655	29,064
Printing and Publications	4,005	438	363	295	758	6,448	12,307
Travel	66	1,030	874	1,896	1,030	717	5,613
Meetings and Conferences	5,556	150	-	12,039	920	4,144	22,809
Equipment Maintenance	927	1,310	1,272	1,048	1,746	1,513	7,816
Specific Assistance	-	-	140,231	5,660	-	-	145,891
Insurance	850	1,196	1,159	942	1,664	1,428	7,239
Depreciation	1,630	2,083	2,026	1,643	2,827	2,544	12,753
Other Small Programs:							
Sibshop	698	-	-	-	-	-	698
REACH	231	-	-	-	-	-	231
Other expenses	30	303	-	-	7,561	672	8,566
Total Expenses	\$ 49,972	\$ 71,443	\$ 193,384	\$ 62,482	\$ 101,155	\$ 115,346	\$ 593,782

See auditor's report and accompanying notes to financial statements.

**TRANSPLANTS FOR CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2006**

	Program Services				Supporting Services		Totals 2006
	Family and Community Education	Social Services/ Counseling	Crisis Assistance	S.T.A.R.S	Management	Fundraising	
Salaries and Wages	\$ 13,775	\$ 31,508	\$ 29,889	\$ 29,848	\$ 56,661	\$ 93,385	\$ 255,066
Payroll Taxes	1,173	3,127	2,931	2,540	4,690	5,081	19,542
Other Employee Benefits	1,492	1,652	1,492	3,871	6,495	2,319	17,321
Professional Fees	200	12,555	-	-	24,010	3,256	40,021
Office Supplies	171	863	173	601	2,427	360	4,595
Telephone	-	579	2,812	-	1,719	3,161	8,271
Postage	274	219	549	338	720	1,208	3,308
Occupancy	1,644	4,384	4,110	3,562	6,576	7,124	27,400
Printing and Publications	1,952	-	-	-	130	15,868	17,950
Travel	216	1,967	572	1,712	1,976	1,438	7,881
Meetings and Conferences	4,479	-	-	11,475	689	1,851	18,494
Equipment Maintenance	-	-	-	-	4,275	4,192	8,467
Specific Assistance	-	-	130,127	2,006	-	-	132,133
Insurance	362	964	904	783	1,446	1,566	6,025
Depreciation	395	1,053	987	855	1,645	1,645	6,580
Other Small Programs:							
Sibshop	298	-	-	-	-	-	298
REACH	19	-	-	-	-	-	19
Medical Art Jewelry	-	48	-	-	-	-	48
Other Expenses	15	90	-	-	3,724	8	3,837
Total Expenses	\$ 26,465	\$ 59,009	\$ 174,546	\$ 57,591	\$ 117,183	\$ 142,462	\$ 577,256

See auditor's report and accompanying notes to financial statements.

**TRANSPLANTS FOR CHILDREN
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets:	\$ 344,392	\$ 65,104
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,753	6,580
Realized and Unrealized (Gains) on Investments	(7,961)	(33,377)
Decrease (Increase) in:		
Accounts Receivable	26,105	10,649
Prepaid Expenses	(461)	(730)
(Decrease) Increase in:		
Accounts Payable and Accruals	(29,493)	7,071
Support Restricted for Endowment	<u>-</u>	<u>(16,824)</u>
 Net Cash Provided (Used) by Operating Activities	 345,335	 38,473
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in Cash and Cash Equivalents for Investments	(4,441)	-
Purchase of Fixed Assets	<u>(34,886)</u>	<u>(14,241)</u>
 Net Cash Provided (Used) by Investment Activities	 (39,327)	 (14,241)
 Net Increase in Cash and Cash Equivalents	 306,008	 24,232
Cash and Cash Equivalents - Beginning of Year	<u>250,955</u>	<u>226,723</u>
 Cash and Cash Equivalents - End of Year	 <u>\$ 556,963</u>	 <u>\$ 250,955</u>
 Supplemental Disclosures:		
Contribution of Facilities	25,920	25,920

See auditor's report and accompanying notes to financial statements.

**TRANSPLANTS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note 1 - Organization

Transplants for Children (the Organization) is a non-profit corporation organized in San Antonio in 1986 to serve families of young organ and tissue recipients who must confront the emotional, financial and social challenges associated with transplantation.

The specific programs and services that the Organization provides include:

- ◆ Family and Community Education: Provides education about transplantation and consultation regarding financial issues that emerge due to transplants.
- ◆ Social Service/Counseling: Provides advocacy on insurance matters, peer support through an organized parent group, and trust fund management (at no cost) to the impacted families.
- ◆ Crisis Assistance: Provides emergency financial funds for families of children receiving organ and tissue transplants including travel expenses, certain medical expenses, and other family expenses not covered by insurance or other assistance programs.
- ◆ Striving Toward and Realizing Success (S.T.A.R.S.): Program for kids ages 10 - 18 to help prepare for their future, build self-esteem, become aware and involved with community resources and develop long-lasting relationships with other young transplant recipients.
- ◆ Reviving Enthusiastic Attitude and Changing Habits (REACH): Program developed to help encourage healthy lifestyles, incorporate healthy eating habits and teach proper physical fitness.
- ◆ SibShop: Program offering siblings of transplant recipients a unique environment to learn valuable information, receive emotional support and share their frustrations with having a sick brother or sister.
- ◆ Music Therapy: Program that helps assess emotional well-being, encourage self expression and improve social and mental functioning. This service allows patients and families to benefit from the healing affects of music, including pain alleviation, stress reduction and coping abilities.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**TRANSPLANTS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note 2 - Summary of Significant Accounting Policies (Continued)

- ◆ Unrestricted Net Assets: Net assets that are not subject to donor-imposed restrictions.
- ◆ Temporarily Restricted Net Assets: Net assets subject to donor-imposed restrictions that will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grants received with restrictions, and whose restrictions are met in the same fiscal year, are reported as unrestricted in the statement of activities.
- ◆ Permanently Restricted Net Assets: Net assets subject to donor-imposed restrictions that require they be maintained permanently by the Organization.

Contributions

Contributions are considered to be unrestricted unless specifically restricted by the donor.

Cash and Cash Equivalents

Management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows exclude permanently restricted cash and cash equivalents.

Accounts Receivable

Represents the amounts due from special event sponsorships at December 31, 2007 and 2006. Accounts receivable are reported at outstanding principal, net of an allowance for doubtful accounts if considered necessary. An allowance for doubtful accounts is generally determined based on an account-by-account review. Accounts are charged off when collection efforts have failed and the account is deemed uncollectible. An allowance was not required at December 31, 2007 and 2006. Interest is not charged on the receivables.

Endowment Investments

Investments in equity securities with readily determinable fair value, and all debt securities, are reported at their fair market value. Other investments are reported at the lower of cost or fair market value.

Furniture and Equipment

Furniture and equipment is valued at historical cost or estimated fair value at the date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets, which is generally three to five years. Significant renewals and betterments in excess of \$2,500 are capitalized.

TRANSPLANTS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006

Note 2 - Summary of Significant Accounting Policies (Continued)

Special Events

Special event fundraisers are reported net of direct costs. Direct costs of the special events were as follows for the year ended December 31:

	<u>2007</u>	<u>2006</u>
Spring to Life Concert	\$ 27,926	\$ 21,106
Golf Tournament	-	10,373
Ask Event	1,943	-
Gayla's Gala	52,298	-
Casino Night	16,569	5,531

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed as incurred and were not significant in 2007 and 2006.

Federal Income Taxes

The Organization is a tax-exempt organization under Internal Revenue Service Code Section 501(c)(3). Therefore, no provision for income taxes has been provided in these financial statements. In addition, the Agency has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments. The Organization places its cash and investments (including restricted assets) with financial institutions or investment managers, and limits the amount of credit exposure, although it may from time to time have cash balances or investments in excess of that insured by the FDIC and SIPC. As of December 31, 2007, the combined uninsured cash balances at two financial institutions totaled \$460,685.

**TRANSPLANTS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note 3 - Endowment Investments and Temporarily Restricted Net Assets

Restricted net assets are for the following purposes at December 31:

	<u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>2007</u>
<u>Temporarily Restricted:</u>				
REACH Program	\$ 5,980	\$ -	\$ (231)	\$ 5,749
Housing Project	106,055	4,818	-	110,873
Christmas Party	-	3,500	(3,355)	145
First Hand Foundation	-	1,695	(240)	1,455
Music Therapy	-	60,000	(18,825)	41,175
Medical Bracelets	4,148	-	(29)	4,119
Database Project	7,655	-	(7,006)	649
Methodist Healthcare Ministries Grant	-	23,144	(23,144)	-
USAA Care Packages	-	2,430	-	2,430
Equipment Grant	38,000	-	(38,000)	-
Cassity Liver Transplant	19,686	-	(5,340)	14,346
STARS Scholarship Program	30,601	11,200	(6,006)	35,795
USAA Scholarships	<u>2,581</u>	<u>-</u>	<u>(2,581)</u>	<u>-</u>
	<u>\$ 214,706</u>	<u>\$ 106,787</u>	<u>\$ (104,757)</u>	<u>\$ 216,736</u>
<u>Permanently Restricted:</u>				
Endowment Investments	<u>\$ 283,333</u>	<u>\$ 58,796</u>	<u>\$ (168)</u>	<u>\$ 341,961</u>

The following are the significant provisions for the permanently restricted Endowment Fund:

- ◆ The fund must grow to \$500,000 (including accrued interest) before any distributions of net income are allowed. Accordingly, the original investment plus all earnings to date are considered permanently restricted.
- ◆ Net income distributions may be used for general and administrative expenses, and are limited to four distributions per year.
- ◆ As of December 31, 2007, the Organization had not yet transferred the current year contributions of \$50,835 to the Endowment Investment account.

**TRANSPLANTS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 and 2006**

Note 4 - Grants and Contributions

Other grant and contribution revenues were received from the following sources during the year ended December 31:

	<u>2007</u>	<u>2006</u>
Individuals/Estates	\$ 257,820	\$ 74,109
Corporations	41,973	72,859
Foundations	217,695	138,617
Board members	<u>1,856</u>	<u>3,510</u>
	-	-
	<u>\$ 519,344</u>	<u>\$ 289,095</u>

Note 5 - Contributed Facilities

The Organization receives donated office space for its use. The value of the contributed facilities is based on the fair market value of similar property. The value of contributed facilities was \$25,920 for each of the years ended December 31, 2007 and 2006.

Note 6 - Trust Funds

The Organization administers several trust funds that have been established by unrelated third parties for the benefit of specific children in need. The assets of the trusts are not available to satisfy obligations of the Organization nor are the assets at the discretionary use of the Organization. Accordingly, the assets and liabilities of the trusts are not included as part of these financial statements.