

Heroes for Children

*Accountants' Review Report  
and Financial Statements*

Year Ended December 31, 2005





To the Board of Directors of  
Heroes for Children

We have reviewed the accompanying statement of assets, liabilities, and net assets--modified cash basis of Heroes for Children (a nonprofit organization) as of December 31, 2005, and the related statement of receipts, disbursements, and changes in net assets--modified cash basis for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Heroes for Children.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.

*Bland, Garvey, Eads, Medlock + Deppe, P.C.*

May 30, 2006

*Accountants and Consultants*

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HEROES FOR CHILDREN  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS--  
MODIFIED CASH BASIS  
December 31, 2005

ASSETS

CURRENT ASSETS

Cash	\$ 79,626
TOTAL CURRENT ASSETS	79,626

EQUIPMENT

Furniture and fixtures	9,400
Computer equipment	10,550
	19,950
Less accumulated depreciation	2,705
	17,245
	\$ 96,871

LIABILITIES AND NET ASSETS

TOTAL LIABILITIES	\$ -
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COMMITMENTS AND CONTINGENCIES (Notes E and G)

NET ASSETS (Note B)

Unrestricted	94,371
Temporarily restricted	2,500
Permanently restricted	-
	96,871
	\$ 96,871

See independent accountants' report and accompanying notes to financial statements.

HEROES FOR CHILDREN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN NET ASSETS--MODIFIED CASH BASIS  
For the Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT</b>				
Contributions	\$ 181,626	\$ 19,845	\$ -	\$ 201,471
Fundraising events	145,689	-	-	145,689
Interest income	653	-	-	653
	327,968	19,845	-	347,813
Net assets released from restrictions through satisfaction of program requirements	17,345	(17,345)	-	-
	345,313	2,500	-	347,813
<b>EXPENSES</b>				
Program services (Note H)	131,165	-	-	131,165
Management and general	74,146	-	-	74,146
Fund raising	45,631	-	-	45,631
	250,942	-	-	250,942
<b>INCREASE IN NET ASSETS</b>	94,371	2,500	-	96,871
<b>NET ASSETS AT BEGINNING OF YEAR</b>	-	-	-	-
<b>NET ASSETS AT END OF YEAR</b>	\$ 94,371	\$ 2,500	\$ -	\$ 96,871

See independent accountants' report and accompanying notes to financial statements.

HEROES FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Heroes for Children (HFC) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of HFC's management, who is responsible for their integrity and objectivity. These accounting policies conform with the modified cash basis of accounting and have been consistently applied in the preparation of the financial statements.

**Organization**

Heroes for Children is a nonprofit organization providing financial and social assistance to families, within the state of Texas, with children (0-22 years of age) battling cancer. It was originally founded by Larissa Linton under the name Taylor's Angels. Taylor's Angels was a small organization that helped families at Medical City and does not have financial history. In November 2004, Larissa Linton and Jenny Scott formed Heroes for Children, then creating a formal Board of Directors, bylaws, and organizational structure. The purpose of Heroes for Children is to provide financial relief to families struggling with a cancer diagnosis to enable them to focus on the most important part of the treatment – the child.

**Basis of accounting**

HFC prepares its financial statements using the modified basis of accounting. This basis differs from accounting principles generally accepted in the United States of America in that revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred.

**Accounting standards**

HFC has adopted the following Financial Accounting Standards Board pronouncements: Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* (SFAS 116) and Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS 117).

HEROES FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Recognition of support and revenue**

SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, requires Not-for-Profit Organizations to recognize contributions received as revenue in the period when the pledge is received or when conditional promises to give become unconditional.

However, since HFC is on the modified cash basis of accounting, contributions are recorded when received rather than when pledges are received or conditional promises to give become unconditional.

Additionally, in accordance with SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported in the statement of financial activity as net assets released from restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**Basis of presentation**

Financial statement presentation follows the recommendations of SFAS 117. Under SFAS 117, HFC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Any earnings on specific funds are considered unrestricted unless specifically restricted by the donor.

HEROES FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Accounting estimates and assumptions**

The process of preparing financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates and assumptions primarily relate to valuation, unsettled transactions, funding continuation and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts. The major estimates are lives used to depreciate fixed assets.

**Equipment**

All acquisitions of equipment and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, HFC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. HFC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Equipment is depreciated using the straight-line method over the estimated useful lives of the individual assets. Estimated useful lives are as follows:

	<u>Estimated Useful Life</u>
Furniture and fixtures	5 years
Computer equipment	3 to 5 years

Depreciation expense amounted to \$2,705 for the year ended December 31, 2005.

**Federal income taxes**

HFC is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made.

HEROES FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

NOTE B – NET ASSET ACCOUNTING

HFC maintains its records on a net asset accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources. This is the procedure by which net assets for various purposes are classified for accounting and reporting purposes into self-balancing funds according to their nature and purpose. The various funds are as follows:

Unrestricted net assets are those funds available for the support of HFC's programs.

Temporarily restricted net assets are those funds restricted by the grantor(s) to be expended only for specific purposes. As of December 31, 2005, remaining temporarily restricted assets consist of amounts to be used for consulting services totaling \$2,500.

HFC had no permanently restricted net assets at December 31, 2005.

NOTE C – DONATED SERVICES

No amounts have been reflected in the financial statements for donated services. HFC pays for most services requiring specific expertise. However, several individuals volunteer their time to perform a variety of tasks that assist HFC with its operations.

NOTE D – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors

Purpose restrictions accomplished or donor restrictions released	
Distributions made for hurricane relief	\$ 9,845
Payments for fundraising consulting services	<u>7,500</u>
Total restrictions released	<u>\$ 17,345</u>

NOTE E – OPERATING LEASES

HFC leases office space on a month-to-month basis with total monthly rent of \$700. Lease expense for the year ended December 31, 2005, was approximately \$4,900.

HEROES FOR CHILDREN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

NOTE F-- CONCENTRATIONS OF CREDIT RISK

HFC derives its revenue from contributions. Continued funding at current levels is dependent upon various factors. Such factors include economic conditions, donor satisfaction and public perception of mission effectiveness and relative importance. HFC operates primarily within the State of Texas.

HFC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. HFC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE G – COMMITMENTS

HFC entered into a consulting retainer agreement with a consultant in August 2005 whereby HFC will make monthly payments of \$1,500 through April 30, 2006. HFC renewed the agreement in January 2006 for the period from May 1, 2006 through April 30, 2007.

NOTE H – PROGRAM SERVICES

HFC provides direct financial assistance to families to help cover such things as rent, utilities, car payments, and even funerals. Applications are received from social workers in the hospitals, who have already completed full financial assessments on the families. In 2005, no request for assistance was denied and 187 requests were served.