

**THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.**

(A NONPROFIT CORPORATION)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2008**

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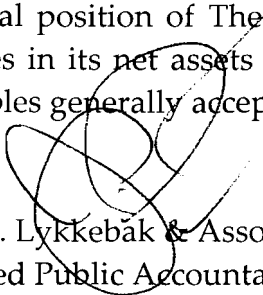
INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
The Association of
Birth Defect Children, Inc.

We have audited the accompanying statement of financial position of The Association of Birth Defect Children, Inc. (a nonprofit organization) as of August 31, 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association'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 The Association of Birth Defect Children, Inc. as of August 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.


John D. Lykkebak & Associates
Certified Public Accountants
May 29, 2009

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Statement of Financial Position
August 31, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$	68,003
Unconditional promises to give		
Unrestricted, due in less than one year		34,671
Temporarily restricted, split-interest		
Charitable remainder trust		984,985

Total current assets	\$	1,087,659
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Equipment, Net of accumulated depreciation of \$10,889	-0-
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Deposits	1,064
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TOTAL ASSETS	\$	1,088,723
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LIABILITIES & NET ASSETS

Current liabilities:

Accrued expenses	\$	705
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Net assets:

Unrestricted	103,033
Temporarily restricted	984,985
Permanently restricted	-0-

Total net assets	1,088,018
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TOTAL LIABILITIES & NET ASSETS	\$	1,088,723
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See accompanying notes to financial statements.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Statement of Activities and Changes in Net Assets
August 31, 2008

UNRESTRICTED NET ASSETS:

Support and revenue		
Donated Services	\$	62,573
Allocated by Combined Federal Campaign		50,022
Grants, contract and other revenue		48,677
Contributions		9,619
Investment income		627
		<hr/>
Total Unrestricted Support & Revenues		171,518

FUNCTIONAL EXPENSES:

Program services		157,408
Support services		
Fundraising		3,286
Management and general		2,437
		<hr/>
Total Functional Expenses		163,131

INCREASE IN UNRESTRICTED NET ASSETS 8,387

TEMPORARILY RESTRICTED NET ASSETS

Support		
Change in value of split-interest agreement		(163,384)
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DECREASE IN NET ASSETS (154,997)

Net assets, beginning of year 1,243,015

Net assets, end of year \$ 1,088,018

See accompanying notes to financial statements.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Statement of Cash Flows
August 31, 2008

OPERATING ACTIVITIES:

Cash inflows:			
Grants and contributions	\$	108,645	
Dividend income		627	
Total cash inflows from operating activities	\$		109,272
Cash outflows:			
Employee compensation, benefits & taxes		83,758	
Other expenses		26,558	
Total cash outflows from operating activities			110,316
Net cash (used by) operating activities			(1,044)

INVESTING ACTIVITIES	-0-
FINANCING ACTIVITIES	-0-

Net cash (used by) all activities			(1,044)
Cash and cash equivalent, beginning of year			69,047
Cash and cash equivalent, end of year	\$		68,003

Reconciliation of the change in net assets to cash			
used by operating activities:			
Decrease in net assets	\$		(154,997)
Add back:			
Non cash expenses -depreciation		359	
Decrease in value of split-interest agreement		163,384	
Decrease in unconditional promises to give and Grants receivable		327	164,070
Deduct:			
Decease in accrued expenses			(10,117)
Net cash used by operating activities	\$		(1,044)

See accompanying notes to financial statements.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Statement of Functional Expenses
August 31, 2008

Supporting Services

	Program Services	Fundraising	Management & General	Total Supporting Services	Total 2008
Salaries	\$ 60,826	\$ 752	\$ 1,655	\$ 2,407	\$ 63,233
Payroll taxes & benefits	7,333	86	188	274	7,607
Advertising	6,582	35	77	112	6,694
Depreciation	359			0	359
Fundraising		2,161		2,161	2,161
Insurance	830	9	19	28	858
Postage & shipping	261	50	100	150	411
Professional fees	3,621	37	82	119	3,740
Registry internet programming	1,088			0	1,088
Rent	6,470	78	171	249	6,719
Telephone	2,477	25	56	81	2,558
Travel	1,168			0	1,168
Computer expenses	1,631	17	37	54	1,685
Other	2,189	36	52	88	2,277
Donated Services – Public Out-Reach	62,573				62,573
Total expenses	\$ 157,408	\$ 3,286	\$ 2,437	\$ 5,723	\$ 163,131

See accompanying notes to financial statements.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Summary of Significant Accounting Policies
August 31, 2008

Nature of Activities:

The Association of Birth Defect Children, Inc. (Association) serves as an international clearinghouse to provide information about all kinds of structural and functional birth defects as well as support systems and resources to assist families who have children with these conditions. The Association sponsors the National Birth Defects Registry, a research and birth defects prevention project. The Association also assists in client referral, follow-up, information and support services in addition to research on several birth defect issues related to veterans' service in Vietnam, the Gulf War or in communities with toxic environmental exposures.

Basis of Presentation:

The financial statements are presented in accordance with Statements of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, which requires the Association to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Association considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Unconditional Promises to Give:

Contributions are recognized when the donor makes a promise to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are 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, temporarily restricted net assets are reclassified to unrestricted net assets.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Summary of Significant Accounting Policies
August 31, 2008

Unconditional Promises to Give (continued):

Donations of equipment 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, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Contributions of donated services that create or enhance non-financial 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, are recorded at their fair values in the period received, if material.

Allowance for Doubtful Accounts:

The Association uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible promises to give at August 31, 2008.

Equipment:

Equipment is recorded at cost, or fair market value if donated, and depreciated over the estimated useful lives of the assets using the straight-line method. The Association's policy is to capitalize expenditures for items in excess of \$500. Lesser amounts are expensed.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Summary of Significant Accounting Policies
August 31, 2008

Functional Expenses:

The costs of the Association's programs are reported on a functional basis. Expenses are charged to each program based on direct expenditures incurred. Any program expenditures and support costs not directly chargeable are allocated based on labor hours estimated by management.

Advertising:

The Association does not engage in direct-response advertising that results in probable future benefits. Advertising costs are expensed as incurred. Advertising expense totaled \$6,694 during the fiscal year ended August 31, 2008.

Income Tax Status:

The Association is a tax exempt organization under Section 501 (c)(3) of the Internal Revenue Code and, as such is not subject to income taxes on income received for exempt purposes.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services:

The Association received an in-kind service grant to facilitate its public outreach via the internet. The services provided by the donor, Google.com, were valued at \$62,573. The donated services are recorded in the accompanying Statements of Activities and Functional Expenses.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Notes to the Financial Statements
August 31, 2008

NOTE A – UNCONDITIONAL PROMISES TO GIVE

The Association estimates that unconditional promises to give shall be collected as follows for the year ended August 31, 2008:

<u>Unrestricted</u>	
Less than one year	\$ 34,671
<u>Temporarily Restricted</u>	
More than five years	\$ 984,985

NOTE B – RELATED PARTY TRANSACTIONS

The Association's President, who also serves as Executive Director, has donated the use of various office furnishings and equipment to the Association. No amounts are reflected in the financial statements for the free use of these items because the fair value cannot be objectively measured. Also, the Executive Director's son is the Administrative Assistant. The Executive Director forgave back salary of \$12,918 due from prior years. The debt forgiveness is reflected as a reduction of 2008 salary expenses.

NOTE C – CONCENTRATIONS OF CREDIT RISK

Financial instruments that are potentially subject to concentrations of credit risk consist principally of unconditional promises to give.

Concentrations of credit risk with respect to unrestricted unconditional promises to give are derived from the Combined Federal Campaign and are limited due to the numerous contributors involved in the campaign throughout the United States and abroad.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Notes to the Financial Statements
August 31, 2008

NOTE C – (continued)

Contributions were received from the National Veterans Service Fund which comprised 46% of the total revenue for the fiscal year ended August 31, 2008.

Concentrations of credit risk with respect to temporarily restricted promises to give are derived from one donor. This donor comprised 98% of unconditional promises to give as of August 31, 2008. This donor also generated 44% of the total revenues for the year ended August 31, 2008.

NOTE D – EQUIPMENT

Equipment consists of the following:

Office furniture and equipment	\$ 10,889
Accumulated depreciation	<u>-10,889</u>
	<u>-0-</u>
Depreciation expense	<u>\$ 359</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

During 1997, a split-interest agreement in the form of a charitable remainder trust was funded, with the Association as one-half beneficiary upon the death of the income beneficiary. An individual independent of the Association is the trustee. The basis used for recognizing assets related to the split-interest agreement is fair-market value. Due to the terms of the agreement, the fair market value amount is \$984,985 at August 31, 2008 using a 4.2% discount rate. A decrease in the value of the split-interest agreement in the amount of \$163,384 was recorded during the year ended August 31, 2008. In accordance with SFAS No. 116, contributions of assets to be received in the future under split-interest agreements carry an implied time restriction and thus are classified as temporarily restricted revenue. Also see Note A.

THE ASSOCIATION OF
BIRTH DEFECT CHILDREN, INC.

Notes to the Financial Statements
August 31, 2008

NOTE F – LEASES

The Association leases its office facility under a non-cancellable lease agreement which expires during 2009. The total minimum rental commitment at August 31, 2008 under the lease is as follows:

2009	\$ 4,788
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Rent expense was \$6,719 for the fiscal year ended August 31, 2008.