

HEART TO HEART INTERNATIONAL, INC.

FINANCIAL STATEMENTS

**Year Ended December 31, 2010
with
Report of Independent Auditors**

HEART TO HEART INTERNATIONAL, INC.

FINANCIAL STATEMENTS

December 31, 2010

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Keller & Owens, LLC

Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Heart to Heart International, Inc.

We have audited the accompanying statement of financial position of **Heart to Heart International, Inc.** (a nonprofit organization) as of December 31, 2010 and the related statements of activities, functional expenses and cash flows 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. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated August 5, 2010, we 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 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 **Heart to Heart International, Inc.** as of December 31, 2010, 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.

April 11, 2011

HEART TO HEART INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2010

(With comparative totals as of December 31, 2009)

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and equivalents	\$ 661,070	\$ 400,927
Inventory	24,377,817	24,083,678
Prepaid expenses	-	31,184
Pledges receivable	610,000	-
Accounts receivable	<u>26,368</u>	<u>602</u>
Total Current Assets	25,675,255	24,516,391
Property and Equipment	1,136,324	1,013,009
Other Assets:		
Investments	<u>62,125</u>	<u>35,937</u>
Total Assets	<u>\$ 26,873,704</u>	<u>\$ 25,565,337</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:		
Accounts payable	\$ 110,551	\$ 217,091
Accrued liabilities	50,784	41,334
Current portion of long-term debt	<u>33,255</u>	<u>51,382</u>
Total Current Liabilities	194,590	309,807
Long-Term Debt	<u>963,988</u>	<u>1,143,973</u>
Total Liabilities	1,158,578	1,453,780
Net Assets:		
Unrestricted	24,577,476	24,010,637
Temporarily restricted	1,077,112	41,942
Permanently restricted	<u>60,538</u>	<u>58,978</u>
Total Net Assets	<u>25,715,126</u>	<u>24,111,557</u>
Total Liabilities and Net Assets	<u>\$ 26,873,704</u>	<u>\$ 25,565,337</u>

See accompanying notes

HEART TO HEART INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

(With comparative totals for the year ended December 31, 2009)

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue:					
Gifts in kind	\$ 78,017,850	\$ -	\$ -	\$ 78,017,850	\$ 94,709,236
Contributions	666,794	2,450,102	25	3,116,921	978,522
Donated shipping	1,484,569	-	-	1,484,569	1,476,549
Governmental and corporate grants	52,530	1,001,357	-	1,053,887	353,141
Program revenue	522,517	-	-	522,517	454,606
Investment income	6,366	-	1,535	7,901	4,743
Rent income	44,632	-	-	44,632	44,190
(Loss) gain on sale of assets	(8,071)	-	-	(8,071)	36,449
Other income	-	-	-	-	6,890
Net assets released from restrictions	2,416,289	(2,416,289)	-	-	-
Total Support and Revenue	83,203,476	1,035,170	1,560	84,240,206	98,064,326
Expenses:					
Program services - international	77,372,980	-	-	77,372,980	80,295,224
Program services - domestic	4,179,090	-	-	4,179,090	3,960,678
General and administrative	433,465	-	-	433,465	392,707
Fundraising and public relations	651,102	-	-	651,102	392,254
Total Expenses	82,636,637	-	-	82,636,637	85,040,863
Increase in Net Assets	566,839	1,035,170	1,560	1,603,569	13,023,463
Net Assets at Beginning of Year	24,010,637	41,942	58,978	24,111,557	11,088,094
Net Assets at End of Year	\$ 24,577,476	\$ 1,077,112	\$ 60,538	\$ 25,715,126	\$ 24,111,557

See accompanying notes

HEART TO HEART INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

(With comparative totals for the year ended December 31, 2009)

	2010					2009 Total
	International Projects	Domestic Projects	General and Administrative	Fundraising and Public Relations	Total	
Expenses:						
Gifts-in-kind distribution	\$ 70,137,128	\$ 3,241,424	\$ -	\$ -	\$ 73,378,552	\$ 76,265,074
Inventory valuation adjustments	2,430,106	112,309	-	-	2,542,415	4,921,436
Donated shipping	1,065,585	418,984	-	-	1,484,569	1,476,549
Salaries and benefits	580,652	77,460	246,883	312,199	1,217,194	1,181,668
Donated medical services	1,724,367	-	-	-	1,724,367	152,000
Medical and contract services	362,174	6,114	18,344	145,441	532,073	-
Distributed aid	157,706	127,477	-	-	285,183	189,761
Travel and meals	448,964	13,205	39,614	26,410	528,193	153,684
Depreciation	87,582	85,545	22,405	8,147	203,679	202,084
Special events	-	-	-	57,085	57,085	26,192
Rent	41,379	5,520	17,594	22,249	86,742	82,094
Postage and shipping	5,488	732	2,334	2,951	11,505	24,137
Warehouse	86,164	4,535	-	-	90,699	77,818
Printing and artwork	29,284	3,907	12,452	15,746	61,389	35,255
Office	53,601	7,150	22,790	28,819	112,360	47,595
Telephone	19,830	2,646	8,432	10,663	41,571	34,438
Professional fees	-	-	19,930	-	19,930	15,793
Donated rent	-	44,632	-	-	44,632	44,190
Interest and bank fees	42,147	5,620	5,460	6,905	60,132	43,548
Staff development	2,599	347	1,105	1,398	5,449	11,409
Insurance	21,334	5,333	5,714	5,714	38,095	45,514
Publicity	4,037	539	-	2,171	6,747	3,666
Maintenance and repairs	72,853	15,611	10,408	5,204	104,076	6,958
Total Expenses	<u>\$ 77,372,980</u>	<u>\$ 4,179,090</u>	<u>\$ 433,465</u>	<u>\$ 651,102</u>	<u>\$ 82,636,637</u>	<u>\$ 85,040,863</u>

See accompanying notes

HEART TO HEART INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

(With comparative totals for the year ended December 31, 2009)

	2010	2009
Cash Flows from Operating Activities:		
Increase in net assets	\$ 1,603,569	\$ 13,023,463
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	203,679	202,084
Loss (gain) on disposal of equipment	8,071	(36,449)
Realized and unrealized gain on investments	(2,757)	(4,151)
Donated assets	(57,400)	(5,320)
Changes in current assets and current liabilities:		
(Increase) decrease in receivables	(635,766)	5,675
(Increase) in inventory	(294,139)	(13,315,454)
Decrease in prepaid expenses	31,184	7,778
Decrease in accounts payable	(106,540)	(111,705)
Increase (decrease) in accrued liabilities	9,450	(14,675)
Total Adjustments	(844,218)	(13,272,217)
Net cash provided (used) by operating activities	759,351	(248,754)
Cash Flows from Investing Activities:		
Purchase of investments	(23,431)	-
Proceeds from sale of investments	-	16,772
Purchase of property and equipment	(277,665)	(15,914)
Proceeds from sale of equipment	-	96,498
Net cash (used) provided by investing activities	(301,096)	97,356
Cash Flows from Financing Activities:		
Proceeds from debt borrowings	-	205,570
Principal payments	(198,112)	(28,333)
Net cash (used) provided by financing activities	(198,112)	177,237
Net Increase in Cash	260,143	25,839
Cash and Equivalents at Beginning of Year	400,927	375,088
Cash and Equivalents at End of Year	\$ 661,070	\$ 400,927

See accompanying notes

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Heart to Heart International, Inc. (the Organization), a Kansas nonprofit corporation, provides crisis response assistance and specific ongoing health care support to communities in need domestically and internationally. The Organization actively engages the services of volunteers through its initiatives, and it distributes medical supplies, pharmaceuticals, and other products to other relief agencies and communities in need.

The Organization's donor base for cash contributions primarily consists of individuals, businesses, civic groups, and foundations located throughout the United States. Gifts-in-kind are also received primarily from medical supply and pharmaceutical companies located throughout the United States.

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* (FASB ASC 958-210). Under FASB ASC 958-210, the Organization is required 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 – Cash consists of cash, non-interest-bearing checking accounts and short-term money market investments.

Comparative information – The financial statements include certain prior year summarized information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009 from which the information is derived.

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of risk – The Organization maintains its cash balance in two financial institutions located in the greater Kansas City, Kansas area. The Organization’s domestic cash accounts are partially insured by the Federal Deposit Insurance Corporation’s (the “FDIC”). The Organization also has a checking account in Haiti that is uninsured. Accordingly, at December 31, 2010, the Organization’s uninsured cash and cash equivalents amounted to \$52,047.

Fair value of financial instruments – The carrying amounts of financial instruments including cash and equivalents, receivables, account payable and accrued expenses approximated fair values as of December 31, 2010 due to their short-term nature. The carrying amount of notes payable approximated fair value due to the recent renewal of the note.

Gifts-in-kind - Donated inventory, buildings, and equipment are recorded at their estimated fair market value at the date of gift. A number of unpaid volunteers have made significant contributions of their time to the activities of the Organization without compensation. In addition, the Organization receives contributed professional services from several individuals in the fields of medicine. These amounts are reflected at fair market value in the financial statements which amounted to \$1,724,137 for the year ended December 31, 2010.

Gifts-in-kind: donated shipping - The Organization recorded \$1,484,569 and \$1,476,549 in shipping expense for overseas and domestic freight during the years ended December 31, 2010 and 2009, respectively. The donated shipping is also included in Unrestricted Support and Revenue.

Income taxes - The Organization is classified as tax exempt under Section 501(c)(3) of the Internal Revenue Code and does not incur income taxes. In addition, the Organization has been classified as a publicly-supported organization which is not a private foundation within the meaning of Section 509(a)(1) of the code.

The Organization has adopted the provisions of the Financial Accounting Standards Board's - *Accounting for Uncertain Income Tax Positions* (FASB ASC 740-10) as it might apply to the Organization's financial transactions. The Organization’s policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2010 and, accordingly, no liability has been accrued.

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory - Inventory is stated at cost and is determined on the first-in, first-out (FIFO) method, at the date of acquisition or, in the case of an in-kind gift, at fair market value at date of donation.

Investments - The Organization carries its investment in marketable securities with readily determinable fair values and all investments in debt securities at their fair values, net of investment income receivable, in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

Permanently restricted net assets - Amounts received during the year that are permanently restricted by donors are recorded as being permanently restricted. Earnings on permanently restricted net assets that are to be expended in accordance with the desires of donors are recorded as temporarily restricted net assets. Once expenses are incurred for their donor-restricted purpose, the earnings are released from restriction.

Property and equipment - Property and equipment are stated at cost at the date of acquisition or fair market value at date of donation, over a nominal amount, in the case of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Lives for depreciation are as follows:

Building and improvements	15 - 39 years
Furniture and equipment	5 - 7 years
Computer equipment	3 - 5 years
Leasehold improvements	3 years
Vehicles	3-10 years

Reclassifications – Certain reclassifications have been made to the 2009 financial statements in order to conform to the 2010 presentation.

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events – Management has evaluated events and transactions that have occurred since December 31, 2010 and reflected their effects, if any, in these financial statements through April 11, 2011, the date the financial statements were available to be issued.

Temporarily restricted net assets - Amounts received during the years that are temporarily restricted by donors or amounts earned on temporarily restricted assets are recorded as temporarily restricted revenue. Temporarily restricted assets are released from restriction when the expenses are incurred for their designated purpose.

Use of estimates - The preparation of financial statements in conformity with 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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

The Organization has adopted the provisions of FASB ASC 820-10 *Fair Value Measurements* for financial and non-financial assets and liabilities measured at fair value on a recurring basis. In addition, effective January 1, 2009, the Organization adopted FASB ASC 820-10 *Fair Value Measurements*, for non-financial assets and liabilities measured initially at fair value such as in a business combination, non-financial assets (such as inventory or donations-in-kind) recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment.

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level with the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	\$ 51,032	\$ -	\$ -	\$ 51,032
Beneficial interest in community foundation	-	-	11,093	11,093
Total assets – recurring basis	\$ 51,032	\$ -	\$ 11,093	\$ 62,125

The following table sets forth information about the level with the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at December 31, 2009:

	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	\$ 25,980	\$ -	\$ -	\$ 25,980
Beneficial interest in community foundation	-	-	9,957	9,957
Total assets – recurring basis	\$ 25,980	\$ -	\$ 9,957	\$ 35,937

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) include investments in the common funds of a community foundation.

A reconciliation of activity between the beginning and ending value of the Level 3 assets as well as the amount of total gains or losses for the year ended December 31, 2010 included in net unrestricted net assets attributable to the change in unrealized gains or losses related to assets still held at the reporting date were not readily available and considered by management to be immaterial.

3. INVENTORY

Inventory is stated as described in Note 1 and consists of the following:

	<u>2010</u>	<u>2009</u>
Pharmaceutical supplies	\$ 21,556,222	\$ 20,764,248
Medical and other supplies	<u>2,821,595</u>	<u>3,319,430</u>
Total Inventory	<u>\$ 24,377,817</u>	<u>\$ 24,083,678</u>

4. INVESTMENTS

Investments are stated at the values described in Note 1 and consist of the following:

Equity securities	\$ 9,013	\$ 8,036
Fixed income	1,572	1,451
Stock and bond mutual funds	20,951	18,968
Money market funds	<u>30,589</u>	<u>7,482</u>
Total Investments	<u>\$ 62,125</u>	<u>\$ 35,937</u>

Investment return from these investments is as follows:

Interest and dividends	\$ 5,394	\$ 992
Realized and unrealized gain on investments	2,757	4,151
Management fees	<u>(250)</u>	<u>(400)</u>
Total Investment Return	<u>\$ 7,901</u>	<u>\$ 4,743</u>

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

5. PROPERTY AND EQUIPMENT

Property and equipment is stated as described in Note 1 and includes the following:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 226,657	\$ 174,072
Computer equipment	416,986	299,727
Warehouse	575,000	575,000
Land	75,000	75,000
Leasehold improvements	11,659	11,659
Vehicles	548,763	425,845
Building improvements	<u>611,787</u>	<u>577,555</u>
Total Property and Equipment	2,465,852	2,138,858
Less accumulated depreciation	<u>1,329,528</u>	<u>1,125,849</u>
Net Property and Equipment	<u>\$ 1,136,324</u>	<u>\$ 1,013,009</u>

6. LONG-TERM DEBT

The Organization's obligation under notes payable consists of the following shown at its estimated fair value:

Note payable, secured by real property monthly payments of \$6,090, including interest at 4.0%, due January, 2014	\$ 997,243
Less current maturities	<u>33,255</u>
Total Long-Term Debt	<u>\$ 963,988</u>

Annual maturities of notes payable are as follows:

2011	\$ 33,255
2012	34,519
2013	36,055
2014	<u>893,414</u>
Total	<u>\$ 997,243</u>

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. LONG-TERM DEBT (continued)

The total amount of interest paid during the year was \$33,213. The note also requires the Organization to maintain an average minimum balance of \$500,000, otherwise the interest rate will increase .50%. During the year, the Organization complied with this loan covenant.

7. GRANTS RECEIVABLE

Grants receivable consist of the following amounts due at December 31:

	<u>2010</u>	<u>2009</u>
In less than one year	\$ 610,000	\$ -
In one to five years	<u>-</u>	<u>-</u>
	610,000	-
Less discounts to present value	-	-
Less allowance for doubtful collections	<u>-</u>	<u>-</u>
Total Pledges Receivable	<u>\$ 610,000</u>	<u>\$ -</u>

8. OPERATING LEASES

The Organization leases office space in Olathe, Kansas. The lease expires August 31, 2015. The Organization also rented office space in Haiti which expires in 2011. Total rent payments totaled \$86,742 for the year ending December 31, 2010. The future minimum annual lease payments are as follows:

Year ending December 31:

2011	\$ 64,400
2012	61,608
2013	62,840
2014	64,097
2015	<u>43,297</u>
Total	<u>\$ 296,242</u>

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

9. RESTRICTED NET ASSETS

Restricted net assets consist of funds held for the following purposes:

Temporarily Restricted Net Assets:

	2010	2009
China	\$ 11,611	\$ -
Ready Relief Box	50,000	-
Guatemala	13,762	-
Chile	16,355	-
U.S Programs	36,604	-
Back to School/Back to Health	25,000	-
General Disaster	227,093	-
Forward Response Centers	100,000	-
Haiti	596,687	-
South Asia Tsunami	-	41,942
Total Temporarily Restricted Net Assets	\$ 1,077,112	\$ 41,942

Permanently Restricted Net Assets:

Heart to Heart International Endowment Fund	\$ 11,093	\$ 9,957
Staff development	2,000	2,000
General	47,445	47,021
Total Permanently Restricted Net Assets	\$ 60,538	\$ 58,978

Assets which satisfy total temporary and permanent restrictions include the following:

Cash	\$ 527,650	\$ 100,920
Pledges receivable	610,000	-
Total Restricted Assets and Liabilities	\$ 1,137,650	\$ 100,920

The Organization's combined total for cash and equivalents and pledges receivable exceeds the Organization's temporarily restricted and permanently restricted net assets at December 31, 2010 and 2009.

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

9. RESTRICTED NET ASSETS (continued)

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors were as follows:

Net Assets Released from Temporary Restrictions:

International projects	\$ 2,272,733	\$ 791,802
Domestic projects	<u>143,556</u>	<u>436,707</u>
Total Net Assets Released from Temporary Restrictions	<u>\$ 2,416,289</u>	<u>\$ 1,228,509</u>

10. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of conducting the various projects has been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the projects and supporting services benefited.

11. ENDOWMENT FUND

The Organization has contributed total assets of \$11,093 to The Greater Kansas City Community Foundation and Affiliated Trusts (the Foundation) which established the Heart to Heart International Endowment Fund (the Fund). The purpose of the Fund is to serve as an endowment for the Organization and its successors, with the annual net income to be distributed to the Organization. The Fund is donor-advised, whereby the Foundation seeks input from the Organization regarding distribution of grants from the principal. The assets are refundable to the Organization upon request.

12. DEFINED CONTRIBUTION PLAN

Under the provisions of a defined contribution plan established in April, 1996 and revised in October, 1999, the Organization matched dollar for dollar of the first 6% contribution deferral made by all eligible employees. Full and part-time employees were eligible to participate in the plan immediately upon employment, and they were fully vested in the Organization's contributions after six years of service. The Organization discontinued contributions beginning in June, 2009.

HEART TO HEART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

13. SIGNIFICANT GIFT-IN-KIND CONTRIBUTORS

The Organization receives a significant portion of its gifts-in-kind contributions from pharmaceutical and medical supply companies. Three companies provided approximately 78% of the gifts-in-kind contributions in 2010.

14. SPECIAL EVENTS

During 2010, the Organization conducted two events designed to inform supporters about current operations and to introduce potential new donors to the Organization. Revenues from special events are recorded in cash contributions. All costs related to publicity, travel, related salaries, and administration of the events have been included in fundraising expenses. Other costs are included as general and administrative expenses.

Support from special events was \$58,268 for 2010. The cost for the direct benefits provided to donors was \$12,146 for 2010.

15. RENTAL INCOME

The Organization recorded \$44,632 in rental income as they provide space to another not-for-profit organization at their warehouse. Approximately 6,000 square feet is used for storage and 16,400 for office space. The donated rent is also included in Program services-Domestic expenses.