

**THE NAKED HEART FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2012**

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FOR THE YEAR ENDED JUNE 30, 2012**

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**Independent Auditor's Report**

To The Board of Trustees  
The Naked Heart Foundation, Inc.

We have audited the accompanying statement of financial position of The Naked Heart Foundation, Inc. as of June 30, 2012, and the related statement of activities 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.

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 Naked Heart Foundation, Inc. as of June 30, 2012, and the results of its operations and its cash flow for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Scheer & Rubinstein CPAs, LLP*

October 25, 2012  
White Plains, New York

**THE NAKED HEART FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

ASSETS

CASH AND CASH EQUIVALENTS	<u>\$ 683,916</u>
TOTAL ASSETS	<u>\$ 683,916</u>

LIABILITIES AND NET ASSETS

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	<u>\$ 5,985</u>
TOTAL LIABILITIES	<u>5,985</u>
NET ASSETS	
Unrestricted	<u>677,931</u>
TOTAL NET ASSETS	<u>677,931</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 683,916</u>

**THE NAKED HEART FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 261,976	\$ 261,976	\$ -
Donated services	23,000	23,000	-
Interest income	1,559	1,559	-
Loss on foreign currency transactions	<u>(1,725)</u>	<u>(1,725)</u>	<u>-</u>
	284,810	284,810	-
Net assets released from restrictions	<u>-</u>	<u>350,815</u>	<u>(350,815)</u>
TOTAL SUPPORT AND REVENUES	284,810	635,625	(350,815)
 <b>EXPENSES</b>			
Program	371,304	371,304	-
Management and general	31,945	31,945	-
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>403,249</u>	<u>403,249</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	(118,439)	232,376	(350,815)
NET ASSETS - beginning of year	<u>796,370</u>	<u>445,555</u>	<u>350,815</u>
NET ASSETS - end of year	<u>\$ 677,931</u>	<u>\$ 677,931</u>	<u>\$ -</u>

**THE NAKED HEART FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (118,439)
Increase in net cash resulting from changes in operating assets and liabilities:	
Due from affiliate	61,236
Accrued expenses and other current liabilities	<u>485</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(56,718)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,718)
CASH AND CASH EQUIVALENTS - beginning of year	<u>740,634</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 683,916</u>

**THE NAKED HEART FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1- Organization and Summary of Significant Accounting Policies**

a. Organization and Nature of Activities

The Naked Heart Foundation, Inc. (the "Organization") was incorporated in September 2004 under the laws of the State of New York as a not for profit organization. The Organization was established to support affiliated entities in the construction of modern playgrounds in urban areas of Russia and to support their efforts in aiding families with children with special needs and families and children in special circumstances. The Organization's support comes mainly from foundation and individual donors.

b. Cash and Cash Equivalents

The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

c. Contributions

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 "Not-for-Profit Entities," contributions received by the Organization are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Any donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to classify temporarily restricted contributions received as unrestricted if the restriction expires in the same fiscal year.

d. Donated Services

The Organization recognizes donated services at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

e. Exchange Rates

The U.S. dollar equivalents of the local currency were calculated either at the actual rate of exchange or at the average of the rates during the period.

f. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**THE NAKED HEART FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

h. Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization accounts for uncertainty in income taxes, which requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of this amendment had no impact on the Organization’s statement of financial position or statement of activities. The Organization’s financial statements do not include the effects of any uncertain tax positions at June 30, 2012.

i. Subsequent Events

The Organization has evaluated subsequent events through October 25, 2012, the date that the financial statements are considered available to be issued.

**Note 2 - Functional Allocation of Expenses**

The costs of supporting the programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses incurred were for:

	<u>Total</u>	<u>Program Service</u>	<u>Management and General</u>
Donations	\$ 370,815	\$ 370,815	\$ -
Professional fees	29,640	-	29,640
Other	<u>2,794</u>	<u>489</u>	<u>2,305</u>
Total	<u>\$ 403,249</u>	<u>\$ 371,304</u>	<u>\$ 31,945</u>

**Note 3 - Temporarily Restricted Net Assets**

The following is a summary of net assets released from restrictions by satisfying time restrictions:

Contributions to affiliates	\$ 350,815
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**THE NAKED HEART FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 4 - Related Parties**

The Organization is affiliated with two entities located in Russia and the United Kingdom. The Organization makes contributions to their affiliates to support the construction of the playgrounds and to support other program and administrative related services. The total contributions made to its affiliates for the year ended June 30, 2012 were \$370,815.

**Note 5 - Concentrations**

The Organization's cash deposits may exceed the Federal Deposit Insurance Corporation limits at various times during the year. At June 30, 2012, there were no deposits in excess of federally insured limits.