

HAPPY HEARTS FUND, INC.

**Financial Statements
for the year ended
December 31, 2008**

**CONDON
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Independent Auditors' Report

To the Board of Directors of
Happy Hearts Fund, Inc.

We have audited the accompanying statement of financial position of Happy Hearts Fund, Inc. ("HHF") as of December 31, 2008 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of HHF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from HHF's 2007 financial statements and, in our report August 5, 2008, 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 present fairly, in all material respects, the financial position of Happy Hearts Fund, Inc. at December 31, 2008 and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

February 3, 2009

HAPPY HEARTS FUND, INC.

Statement of Financial Position

Assets

	<u>December 31</u>	
	<u>2008</u>	<u>2007</u>
Current assets		
Cash and cash equivalents	\$3,229,641	\$2,150,467
Investments, at market value	-	99,934
Contributions receivable	1,167,688	1,128,018
Prepaid expenses	8,000	-
Total current assets	<u>\$4,405,329</u>	<u>\$3,378,419</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 73,732	\$ 36,151
Grant payable	484,300	-
Total current liabilities	<u>558,032</u>	<u>36,151</u>
Unrestricted net assets	<u>3,847,297</u>	<u>3,342,268</u>
Total liabilities and net assets	<u>\$4,405,329</u>	<u>\$3,378,419</u>

See notes to financial statements.

HAPPY HEARTS FUND, INC.

Statement of Activities

	Year Ended	
	December 31	
	<u>2008</u>	<u>2007</u>
Public support and revenue		
General contributions	\$ 606,769	\$ 1,045,199
Contributions for:		
Masquerade in Venice event, net of direct donor benefit expenses of \$95,709	2,839,761	-
Heart of Gold Ball, net of direct donor benefit expenses of \$108,636 in 2007	110,551	3,368,208
Contributed services	76,608	64,505
Interest and other income	<u>65,238</u>	<u>16,449</u>
Total support and revenue	<u>3,698,927</u>	<u>4,494,361</u>
Expenses		
Program services	2,268,921	787,511
Expression of Love	<u>54,726</u>	<u>83,897</u>
Total program services	<u>2,323,647</u>	<u>871,408</u>
Supporting services		
Fundraising – Masquerade in Venice	281,144	-
Fundraising – Heart of Gold Ball	135,265	322,940
Management and general	<u>453,842</u>	<u>144,724</u>
Total supporting services	<u>870,251</u>	<u>467,664</u>
Total expenses	<u>3,193,898</u>	<u>1,339,072</u>
Increase in unrestricted net assets before change in value of investments	505,029	3,155,289
Change in value of investments	<u>-</u>	<u>59</u>
Increase in unrestricted net assets	505,029	3,155,348
Unrestricted net assets, beginning of year	<u>3,342,268</u>	<u>186,920</u>
Unrestricted net assets, end of year	<u>\$ 3,847,297</u>	<u>\$ 3,342,268</u>

See notes to financial statements.

Statement of Functional Expenses
For the Year Ended December 31, 2008
(with comparative information for the year ended December 31, 2007)

2008

	Program Services		Supporting Services			2007 Total
	Program Services	Expression of Love	Total Program Services	Fundraising - Masquerade in Venice	Management and General	
Grants, programs and projects	\$1,901,975	-	\$1,901,975	\$ -	\$ -	\$ 665,02
Salaries and wages	88,340	750	89,090	-	3,468	34,15
Payroll taxes	5,023	53	5,076	-	211	3,13
Employee benefits	21,207	223	21,430	-	893	12,59
Professional fees	203,014	46,841	249,855	63,000	69,181	302,30
Auction expenses	-	-	-	35,000	-	-
Photography	2,100	-	2,100	129,790	-	164,790
Postage and shipping	111	-	111	-	-	2,100
Printing and graphic	4,050	6,500	10,550	54,274	2,446	3,339
Production	-	359	359	1,022	6,911	72,757
Travel	39,310	-	39,310	99,119	3,215	102,693
Bank fees	41	-	41	8,839	2,512	50,979
Entertainment	-	-	-	412	7,689	8,177
Office expenses	2,305	-	2,305	20,500	1,265	23,115
Advertising	-	-	-	1,350	12,573	16,846
Uncollectible pledges	-	-	-	1,968	-	-
Miscellaneous	1,445	-	1,445	-	-	1,76
Total	\$2,268,921	\$ 54,726	\$2,323,647	\$ 281,144	\$ 453,842	\$3,193,898
				\$ 135,265	\$ 870,251	\$1,339,07

See notes to financial statements.

HAPPY HEARTS FUND, INC.

Statement of Cash Flows

	Year Ended	
	December 31	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 505,029	\$3,155,348
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Change in value of investments	-	(59)
Realized loss on sale of investments	59	-
(Increase) in contributions receivable	(39,670)	(1,090,768)
(Increase) in prepaid expenses	(8,000)	-
Increase in accounts payable and accrued expenses	37,581	14,578
Increase in grant payable	<u>484,300</u>	<u>-</u>
Net cash provided by operating activities	979,299	2,079,099
Cash (used in) investing activities		
Sale of investments	99,875	-
Purchases of investments	<u>-</u>	<u>(99,875)</u>
Increase in cash and cash equivalents	1,079,174	1,979,224
Cash and cash equivalents, beginning of year	<u>2,150,467</u>	<u>171,243</u>
Cash and cash equivalents, end of year	<u>\$3,229,641</u>	<u>\$2,150,467</u>

See notes to financial statements.