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THE NAKED HEART FOUNDATION, INC.

FINANCIAL STATEMENTS

June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of The Naked Heart Foundation, Inc. (a non-profit organization) as of June 30, 2010, and the related statements 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, 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.

Ross, Anglim, Angelini & Co., LLP

Watchung, New Jersey
February 11, 2011

THE NAKED HEART FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

CASH AND CASH EQUIVALENTS	<u>\$ 290,389</u>
TOTAL ASSETS	<u>\$ 290,389</u>

LIABILITIES AND NET ASSETS

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES	\$ 6,250
UNRESTRICTED NET ASSETS	<u>284,139</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 290,389</u>

See accompanying notes to financial statements.

THE NAKED HEART FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

UNRESTRICTED REVENUE AND SUPPORT	
Contributions	\$ 211,229
Donated services	12,500
Interest income	<u>349</u>
TOTAL UNRESTRICTED REVENUE AND SUPPORT	224,078
EXPENSES	
Program	36,253
Management and general	<u>26,184</u>
TOTAL EXPENSES	62,437
INCREASE IN UNRESTRICTED NET ASSETS	161,641
UNRESTRICTED NET ASSETS - beginning of year	<u>122,498</u>
UNRESTRICTED NET ASSETS - end of year	<u>\$ 284,139</u>

See accompanying notes to financial statements.

THE NAKED HEART FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 161,641
Decrease in net cash resulting from changes in accrued expenses and other current liabilities	<u>(6,162)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES AND NET INCREASE IN CASH AND EQUIVALENTS	<u>155,479</u>
CASH AND EQUIVALENTS - beginning of year	<u>134,910</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 290,389</u>

See accompanying notes to financial statements.

THE NAKED HEART FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 construct modern playgrounds for less fortunate children in Russia. The Organization's support comes mainly from foundation and individual donors.

Cash and Cash Equivalents

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

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. At June 30, 2010, all contributions were unrestricted.

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.

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.

Use of Estimates in the Preparation of 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 (CONTINUED)
June 30, 2010

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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 as of the date of adoption or at June 30, 2010. The Organization has no open years prior to June 30, 2007.

Subsequent Events

Subsequent events have been evaluated through February 11, 2011 which is the date the financial statements were 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>
Website	\$ 18,957	\$ 14,218	\$ 4,739
Professional fees	18,750	-	18,750
Travel	11,679	11,679	-
Program expenses	8,571	8,571	-
Other	4,480	1,785	2,695
Total	<u>\$ 62,437</u>	<u>\$ 36,253</u>	<u>\$ 26,184</u>

Note 3 - 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. For the year ended June 30, 2010, there were no contributions made by the Organization to its affiliates.

Note 4 - CONCENTRATIONS

The Organization's cash deposits exceeded the Federal Deposit Insurance Corporation limits at various times during the six months ended June 30, 2010. At June 30, 2010, there was approximately \$40,000 in excess of federally insured limits.