

HEART CARE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2018

HEART CARE INTERNATIONAL, INC.

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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Heart Care International, Inc.

We have audited the accompanying financial statements of Heart Care International, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart Care International, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Walter J. McKeever", written in a cursive style.

Walter J. McKeever & Company, LLC
Greenwich, Connecticut
September 26, 2019

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 410,153
Investments (Note 7)	1,167,281
Other receivables	302
Prepaid expenses	<u>3,386</u>
Total Current Assets	<u>1,581,122</u>

Equipment (Note 2)

Computers	4,588
Medical equipment	130,163
Ultrasound probe	5,000
Accumulated depreciation	<u>(138,767)</u>
Net Equipment	<u>984</u>
Total Assets	<u>\$ 1,582,106</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses	<u>\$ 19,816</u>
Total Current Liabilities	<u>19,816</u>

Net Assets

Without donor restrictions	1,399,753
With donor restrictions (Note 6)	<u>162,537</u>
Total Net Assets	<u>1,562,290</u>
Total Liabilities and Net Assets	<u>\$ 1,582,106</u>

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
Revenues, Gains, and Other Support			
Contributions	\$ 230,328	\$ -	\$ 230,328
Donated facilities and services (Note 4)	851,921	-	851,921
Investment return (Note 7)	13,001	1,531	14,532
	<u>1,095,250</u>	<u>1,531</u>	<u>1,096,781</u>
Total Revenues, Gains and Other Support			
Expenses			
Program	1,174,197	-	1,174,197
Support	103,131	-	103,131
	<u>1,277,328</u>	<u>-</u>	<u>1,277,328</u>
Total Functional Expenses			
Change in Net Assets from Operations	<u>(182,078)</u>	<u>1,531</u>	<u>(180,547)</u>
NONOPERATING ACTIVITIES			
Capital campaign contributions	-	100,000	100,000
Capital campaign expenses	-	(40,696)	(40,696)
Depreciation	(221)	-	(221)
	<u>(221)</u>	<u>59,304</u>	<u>59,083</u>
Change in Net Assets from Nonoperating Activities			
Change in Net Assets	(182,299)	60,835	(121,464)
Net Assets - Beginning of Year	<u>1,582,052</u>	<u>101,702</u>	<u>1,683,754</u>
Net Assets - End of Year	<u>\$ 1,399,753</u>	<u>\$ 162,537</u>	<u>\$ 1,562,290</u>

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

PROGRAM SERVICES

Drugs and medical supplies	\$ 169,481
Freight	15,889
Hotel	115,959
Insurance	872
Clothing for team membership	2,433
Salaries	60,000
Payroll taxes	4,875
Parent booklets	3,825
Non-medical mission supplies	1,537
Professional medical services	669,204
Travel	130,122
	<hr/>
Total Program Services	\$ 1,174,197

SUPPORT

Accounting and payroll	\$ 6,991
Bank fees	1,874
Insurance	3,286
Marketing	798
Miscellaneous	14,121
Office expense	2,753
Payroll taxes	4,300
Rent (Note 5)	13,200
Salaries	51,908
Telephone	2,009
Website	1,891
	<hr/>
Total Support	\$ 103,131

HEART CARE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash flows from operating activities:

Change in net assets \$ (121,464)

Adjustments to reconcile change in net assets to net
cash used by operating activities:

Depreciation	221
Unrealized loss on investments	11,638
Realized loss on investments	10,519
Increase in other receivables	(4)
Decrease in prepaid expenses	53,028
Decrease in deferred in kind income	(13,445)
Increase in accrued expenses	<u>11,981</u>

Total adjustments 73,938

Net cash used by operating activities (47,526)

Cash flows from investing activities:

Purchase of medical equipment	(1,205)
Proceeds from sale of investments	<u>124,921</u>

Net cash provided by investing activities 123,716

Net increase in cash and cash equivalents 76,190

Cash and cash equivalents - beginning of year 333,963

Cash and cash equivalents - end of year \$ 410,153

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1. NATURE OF ORGANIZATION

Heart Care International, Inc. (the "Organization") is a team of health care professionals who volunteer their time and skills to save lives by providing high-quality, compassionate medical and surgical care to children with heart disease in developing countries. The immediate goal of Heart Care International, Inc. is to provide open heart surgery for poor children and young adults in these developing countries. The long term goal is to train local health care professionals in the medical and surgical management of heart disease enabling them to provide heart care within their own country. The Organization is supported primarily through donor contributions and grants, and interest and dividend income from investments.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles which require reporting its financial position and activities according to the following asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions – net assets subject to restrictions imposed by donors. Some restrictions are temporary in nature which can be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature where the donor has directed that the funds be maintained in perpetuity.

Contributions received are recorded as donor restricted and unrestricted depending on the existence/nature or absence of restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions in the statement of activities.

Use of Estimates

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 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.

(Continued)

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value in accordance with accounting standards. See Note 7 for a discussion of fair value measurements. Unrealized gains and losses are included in the change in net assets.

Equipment

Items of property and equipment acquired at a cost in excess of \$500 are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

Functional Expenses

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities and in detail in the statement of functional expenses. Certain costs have been allocated among program and supporting services. Such allocations are determined by management on an equitable basis based on periodic time and expense studies. Support expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Support expenses have been allocated on the basis of estimates made by management.

Donated Securities

Securities donated to the Organization are valued at fair market value as of the date of receipt. A realized gain (loss) is recognized when the securities are subsequently sold.

Income Taxes

The Organization is a "not-for-profit" organization as described in Section 509(a)(1) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of December 31, 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Federal information returns are subject to examination for a period of three years from the filing date of the return; returns for calendar year 2015 – 2017 remain open.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board issued ASU 2016-14 – Presentation of Financial Statements of Not-For-Profit Entities. The update addresses net asset classification, requires disclosure about liquidity and availability of resources and consistency in presenting expenses and investment return.

NOTE 3. CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2018, the Organization maintains its cash, cash equivalents and investments with one financial institution. Based on the nature of the accounts held with this institution, the operating account is insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The investment accounts are protected up to \$500,000 which includes \$100,000 limit for cash, through the Securities Investor Protection Corporation (“SIPC”). The operating account balance in excess of FDIC insured limits as of December 31, 2018 was \$114,754. Deposits in excess of SIPC limits as of December 31, 2018 were \$667,281 for securities.

NOTE 4. DONATED FACILITIES AND SERVICES

Donated facilities and services represent the estimated fair value of facilities and services provided to Heart Care International, Inc. These donations are recognized if the facilities or services received create or enhance nonfinancial assets or if the services received require specialized skills that are provided by individuals possessing those skills and would need to be purchased if not provided by donation.

The following is a summary of the estimated donated facilities and services provided to Heart Care International, Inc. for the year ended December 31, 2018:

Professional medical services	\$ 669,204
Drugs and medical supplies	91,446
Hotels, transportation and other	<u>91,271</u>
	<u>\$ 851,921</u>

Numerous other volunteers donate significant time to the Organization. These services have not been reflected in the financial statements since no objective basis is available to measure the value.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5. COMMITMENTS

On September 1, 2016, the Organization entered into a two year operating lease with Second Congregational Church for office space. The annual rent per year was \$13,200 payable monthly in advance on the first day of each month. The terms of this lease provided Heart Care International, Inc. with office space, maintenance, all utilities aside from communications, and use of common church facilities. On September 1, 2018, the Organization entered into a one year operating lease ending August 31, 2019 with Second Congregational Church in Greenwich, Connecticut. The annual rent per year was \$13,200 payable in advance on the first day of each month. The terms of the lease still provided Heart Care International, Inc. with office space, maintenance, all utilities aside from communication, and use of common church facilities. The Organization is negotiating a new lease which would be as of September 1, 2019 and is currently occupying the church's premises on a month to month basis. The Second Congregational Church also made a donation to the Organization.

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

In 2001, the Allison Education and Fellowship Fund ("AEFF") was created. The Board of Heart Care International ("HCI") administers the fund with operations directed by a committee appointed by the President. The committee seeks opportunities to use the fund for the training and education of nurses and doctors for the furtherance of the mission of HCI. The balance of this fund at December 31, 2018 was \$86,742.

In April 2003, HCI received a \$25,000 contribution from a Foundation to be used towards the purchase of cardiothoracic medical equipment. This contribution was given for this express purpose, but without a time constraint as to when the funds must be expended. No additional purchases were made during 2018. The balance remaining of \$16,491 will be used for future purchases.

During 2018, HCI embarked on a \$5 million capital campaign to transform the delivery of heart care in the developing countries where we currently serve. HCI received a \$100,000 contribution and expended \$40,696 on capital campaign fundraising costs. The balance of this fund at December 31, 2018 was \$59,304.

Net assets with donor restrictions as of December 31, 2018 total \$162,537.

HEART CARE INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE 7. INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position. Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Organization believes its valuation methods are appropriate and consistent with other market participants; the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's investments at December 31, 2018 consists of the following:

<u>Level 1:</u>	
Equities	\$ 2,013
Fixed Income	<u>1,165,268</u>
	<u>\$ 1,167,281</u>

The authoritative literature on fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Organization uses appropriate valuation techniques based on available inputs to measure fair value of its investments. The Organization's investments are classified as defined below.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices identical assets in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the asset and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following schedule summarizes the investment return for the year ended December 31, 2018:

Interest and dividend income	\$ 36,689
Realized loss on investments	(10,519)
Unrealized loss on investments	<u>(11,638)</u>
	<u>\$ 14,532</u>

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2018 available to meet general expenditures.

Cash and cash equivalents	\$ 410,153
Investments	<u>1,167,281</u>
Total Financial Assets	<u>1,577,434</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions	<u>162,537</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,414,897</u>

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2019 the date which the financial statements were available for issue.