

HEART CARE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019

HEART CARE INTERNATIONAL, INC.

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Year Ended December 31, 2019

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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, 2019, 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

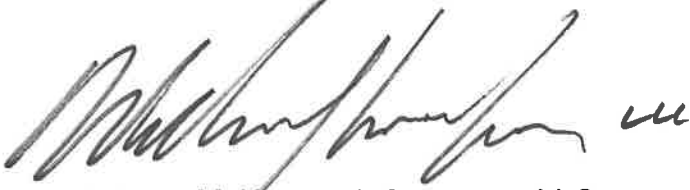
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2019, 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", followed by three small vertical lines.

Walter J. McKeever & Company, LLC
Greenwich, Connecticut
October 28, 2020

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,383,919
Investments (Note 3)	488,873
Promises to give - current	524,000
Other receivables	2,093
Prepaid expenses	3,384
	<hr/>
Total Current Assets	2,402,269

Equipment (Note 2)

Computers	9,673
Medical equipment	130,163
Ultrasound probe	5,000
Accumulated depreciation	(139,714)
	<hr/>
Net Equipment	5,122

Other Assets

Promises to give - noncurrent	929,501
	<hr/>
Total Other Assets	929,501
	<hr/>
Total Assets	\$ 3,336,892

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses	\$ 7,052
	<hr/>
Total Current Liabilities	7,052

Net Assets

Without donor restrictions	1,338,388
With donor restrictions (Note 6)	1,991,452
	<hr/>
Total Net Assets	3,329,840
	<hr/>
Total Liabilities and Net Assets	\$ 3,336,892

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
Revenues, Gains, and Other Support			
Contributions	\$ 280,191	\$	\$ 280,191
Donated facilities and services (Note 5)	588,483		588,483
Investment return (Note 3)	75,839	2,103	77,942
Total Revenues, Gains and Other Support	<u>944,513</u>	<u>2,103</u>	<u>946,616</u>
Expenses			
Program	873,013		873,013
Support	131,918		131,918
Total Functional Expenses	<u>1,004,931</u>		<u>1,004,931</u>
Change in Net Assets from Operations	<u>(60,418)</u>	<u>2,103</u>	<u>(58,315)</u>
NONOPERATING ACTIVITIES			
Capital campaign contributions		1,884,601	1,884,601
Capital campaign expenses		(57,789)	(57,789)
Depreciation	(947)		(947)
Change in Net Assets from Nonoperating Activities	<u>(947)</u>	<u>1,826,812</u>	<u>1,825,865</u>
Change in Net Assets	(61,365)	1,828,915	1,767,550
Net Assets - Beginning of Year	<u>1,399,753</u>	<u>162,537</u>	<u>1,562,290</u>
Net Assets - End of Year	<u>\$ 1,338,388</u>	<u>\$ 1,991,452</u>	<u>\$ 3,329,840</u>

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

PROGRAM SERVICES

Drugs and medical supplies	\$ 205,620
Freight	9,023
Hotel	51,674
Insurance	872
Clothing for team membership	1,273
Salaries	55,000
Payroll taxes	4,493
Parent booklets	3,446
Professional medical services	436,167
Travel	105,445
	<hr/>
Total Program Services	<u>\$ 873,013</u>

SUPPORT

Accounting and payroll	\$ 7,161
Bank fees	1,775
Insurance	3,242
Marketing	1,561
Miscellaneous	20,055
Office expense	3,124
Payroll taxes	5,802
Rent (Note 8)	13,200
Salaries	71,700
Telephone	2,436
Website	1,862
	<hr/>
Total Support	<u>\$ 131,918</u>

HEART CARE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

Cash flows from operating activities:

Change in net assets	<u>\$ 1,767,550</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	947
Unrealized gain on investments	(45,445)
Realized gain on investments	(4,267)
Increase in promises to give	(1,453,501)
Increase in other receivables	(1,791)
Decrease in prepaid expenses	2
Decrease in accrued expenses	<u>(12,764)</u>
Total adjustments	<u>(1,516,819)</u>
Net cash provided by operating activities	<u>250,731</u>
Cash flows from investing activities:	
Purchase of computers	(5,085)
Proceeds from sale and purchase of investments- net	<u>728,120</u>
Net cash provided by investing activities	<u>723,035</u>
Net increase in cash and cash equivalents	973,766
Cash and cash equivalents - beginning of year	<u>410,153</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,383,919</u></u>

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

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.

Measure of Operations

The statement of activities reports all changes in net assets from operating and non-operating activities. Operating activities are attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from depreciation and other activities considered to be of a more unusual and nonrecurring nature.

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, 2019

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 3 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, 2019, 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 2016 – 2018 remain open.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3. 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, 2019 consists of the following:

<u>Level 1:</u>	
Fixed Income	\$ <u>488,873</u>
	\$ <u>488,873</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, 2019:

Interest and dividend income	\$ 28,230
Realized loss on investments	4,267
Unrealized loss on investments	<u>45,445</u>
	<u>\$ 77,942</u>

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4. PROMISES TO GIVE

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. Promises to give are restricted to payment of the costs of this project. The promises to give as of December 31, 2019, are unconditional and due \$524,000 in 2020 and \$929,501 over the following three years. Promises to give that are due after 2020 are discounted at 3.0%. The unamortized discount on promises to give is \$102,499 as of December 31, 2019. Uncollectible promises are expected to be insignificant.

NOTE 5. 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, 2019:

Professional medical services	\$ 436,167
Drugs and medical supplies	138,016
Hotels, transportation and other	<u>14,300</u>
	<u>\$ 588,483</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.

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, 2019 was \$88,845.

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 2019. 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. To date HCI has received a total of \$1,984,601 in pledges and related payments and expended \$98,485 on capital campaign fundraising costs. The balance of this fund at December 31, 2019 was \$1,886,116.

Net assets with donor restrictions as of December 31, 2019 total \$1,991,452.

**HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 7. CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2019, 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, 2019 was \$1,053,633. There were no deposits in excess of SIPC limits as of December 31, 2019.

During 2019 all capital campaign contributions and promises to give were made by related parties.

NOTE 8. 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 9. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2019 available to meet general expenditures.

Cash and cash equivalents	\$ 1,383,919
Investments	488,873
Promises to give – current	524,000
Other receivables	<u>2,093</u>
Total Financial Assets	<u>2,398,885</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions	<u>1,991,452</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 407,433</u>

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2020 the date which the financial statements were available for issue.

Heart Care International (HCI) continued on course for 2020 until the coronavirus pandemic hit in mid-March. HCI unfortunately had to suspend all 2020 travel. In May 2020 HCI successfully completed the SBA PPP grant application and received \$32,969. These funds were used strictly for salaries. Most of HCI's friend and foundation fundraising comes at the end of the year. We have yet to see how the coronavirus pandemic will affect the 2020 fundraising.

As described in Note 4, in 2018 the Organization began a five-year capital campaign which is continuing. Uncollectible amounts of the amounts pledged are expected to be insignificant.