

HEART CARE INTERNATIONAL, INC.
FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

HEART CARE INTERNATIONAL, INC.

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Years Ended December 31, 2021 and 2020

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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 nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heart Care International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heart Care International, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

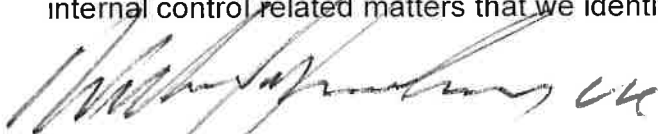
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit in accordance

with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Heart Care International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heart Care International, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Walter J. McKeever & Company, LLC
Greenwich, Connecticut
October 22, 2022

HEART CARE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

ASSETS

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 1,080,344	\$ 897,686
Investments (Note 3)	2,423,453	1,821,102
Promises to give - current (Note 4)	356,200	350,094
Other receivables	8	2,023
Prepaid expenses	2,620	2,582
Total Current Assets	3,862,625	3,073,487
Equipment (Note 2)		
Computers	9,673	9,673
Medical equipment	130,163	130,163
Ultrasound probe	5,000	5,000
Accumulated depreciation	(143,586)	(141,650)
Net Equipment	1,250	3,186
Other Assets		
Promises to give - noncurrent (Note 4)	276,618	643,280
Total Other Assets	276,618	643,280
Total Assets	\$ 4,140,493	\$ 3,719,953

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued expenses	\$ 1,285	\$ 1,499
PPP loan payable		32,969
Total Current Liabilities	1,285	34,468
Net Assets		
Without donor restrictions	2,024,336	1,605,238
With donor restrictions (Note 5)	2,114,872	2,080,247
Total Net Assets	4,139,208	3,685,485
Total Liabilities and Net Assets	\$ 4,140,493	\$ 3,719,953

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
Revenues, Gains, and Other Support			
Contributions	\$ 188,051	\$	\$ 188,051
Donated facilities and services (Note 2)	127,811		127,811
PPP loan forgiveness	32,969		32,969
Investment return (Note 3)	<u>414,474</u>	<u>5</u>	<u>414,479</u>
Total Revenues, Gains and Other Support	<u>763,305</u>	<u>5</u>	<u>763,310</u>
Functional Expenses			
Program	234,191	3,106	237,297
Support	<u>108,080</u>		<u>108,080</u>
Total Functional Expenses	<u>342,271</u>	<u>3,106</u>	<u>345,377</u>
Change in Net Assets from Operations	<u>421,034</u>	<u>(3,101)</u>	<u>417,933</u>
NONOPERATING ACTIVITIES			
Capital campaign contributions		41,826	41,826
Capital campaign expenses		(4,100)	(4,100)
Depreciation	<u>(1,936)</u>		<u>(1,936)</u>
Change in Net Assets from Nonoperating Activities	<u>(1,936)</u>	<u>37,726</u>	<u>35,790</u>
Change in Net Assets	419,098	34,625	453,723
Net Assets - Beginning of Year	<u>1,605,238</u>	<u>2,080,247</u>	<u>3,685,485</u>
Net Assets - End of Year	<u>\$ 2,024,336</u>	<u>\$ 2,114,872</u>	<u>\$ 4,139,208</u>

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
Revenues, Gains, and Other Support			
Contributions	\$ 120,137	\$	\$ 120,137
Investment return (Note 3)	<u>353,502</u>	<u>37</u>	<u>353,539</u>
Total Revenues, Gains and Other Support	<u>473,639</u>	<u>37</u>	<u>473,676</u>
Functional Expenses			
Program	85,680		85,680
Support	<u>119,173</u>		<u>119,173</u>
Total Functional Expenses	<u>204,853</u>		<u>204,853</u>
Change in Net Assets from Operations	<u>268,786</u>	<u>37</u>	<u>268,823</u>
NONOPERATING ACTIVITIES			
Capital campaign contributions		106,471	106,471
Capital campaign expenses		(17,713)	(17,713)
Depreciation	<u>(1,936)</u>		<u>(1,936)</u>
Change in Net Assets from Nonoperating Activities	<u>(1,936)</u>	<u>88,758</u>	<u>86,822</u>
Change in Net Assets	266,850	88,795	355,645
Net Assets - Beginning of Year	<u>1,338,388</u>	<u>1,991,452</u>	<u>3,329,840</u>
Net Assets - End of Year	<u>\$ 1,605,238</u>	<u>\$ 2,080,247</u>	<u>\$ 3,685,485</u>

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021 and 2020

PROGRAM SERVICES	<u>2021</u>	<u>2020</u>
Drugs and medical supplies	\$ 20,940	\$ 10,263
Hospital	61,915	
Hotel	11,041	
Freight	1,666	276
Insurance	5,959	758
Clothing for team membership	884	658
Salaries	55,000	55,000
Payroll taxes	4,493	4,493
Education-Allison Fund	3,106	
Parent booklets	137	1,606
Professional medical services	54,175	
Travel	17,981	12,626
	<u>237,297</u>	<u>85,680</u>
Total Program Services	<u>\$ 237,297</u>	<u>\$ 85,680</u>
SUPPORT		
Accounting and payroll	\$ 9,122	\$ 7,628
Bank fees	445	694
Insurance	946	3,802
Marketing	1,273	3,040
Miscellaneous	833	3,436
Office expense	3,371	3,494
Payroll taxes	5,754	5,778
Rent (Note 7)	11,150	13,200
Salaries	71,196	71,445
Telephone	1,302	1,798
Website	2,688	4,858
	<u>108,080</u>	<u>119,173</u>
Total Support	<u>\$ 108,080</u>	<u>\$ 119,173</u>

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 453,723	\$ 355,645
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,936	1,936
Unrealized gain on investments	(390,736)	(332,617)
Decrease in promises to give	360,556	460,129
Decrease in other receivables	2,015	70
(Increase)decrease in prepaid expenses	(38)	802
Decrease in accrued expenses	(214)	(5,553)
Total adjustments	(26,481)	124,767
Net cash provided by operating activities	427,242	480,412
Cash flows from investing activities:		
Proceeds from sale and purchase of investments- net	(211,615)	(999,614)
Net cash used by investing activities	(211,615)	(999,614)
Cash flows from financing activities:		
Proceeds from PPP loan		32,969
PPP loan forgiveness	(32,969)	
Net cash provided by financing activities	(32,969)	32,969
Net increase(decrease) in cash and cash equivalents	182,658	(486,233)
Cash and cash equivalents - beginning of year	897,686	1,383,919
Cash and cash equivalents - end of year	\$ 1,080,344	\$ 897,686

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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.

In-Kind Contributions

Donations of property, equipment and goods are recorded at their estimated fair value at the date of donation if the amount is material. Donated services are recognized as contributions only if the services create or enhance nonfinancial assets, require specialized skills, are performed by people with those skills and would otherwise be purchased. Numerous other volunteers donate significant amounts of their time to the Organization which is not recognized as contributions since the criteria for recognition is not met.

(Continued)

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Property and Equipment

Items of property and equipment acquired at a cost in excess of \$1,000 are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

Tax Status

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, 2021, 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 2018 – 2020 remain open.

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 on the basis of estimates made by management. 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.

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, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement

On June 3, 2020, the Financial Accounting Standards Board (FASB) issued a one year deferral for not-for-profit organizations to implement accounting standards under ASU 2016-02 Leases (Topic 842) will be effective January 1, 2022 and the effect of adoption of this standard is expected to be immaterial to the financial statements.

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, 2021 and 2020 consists of the following:

<u>Level 1:</u>	<u>2021</u>	<u>2020</u>
Equities	\$ 1,984,211	\$ 1,322,863
Fixed Income	<u>439,242</u>	<u>498,239</u>
	<u>\$ 2,423,453</u>	<u>\$ 1,821,102</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 Organization does not hold any investments classified as Level 3.

The following schedule summarizes the investment return for the year ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 26,164	\$ 20,922
Realized gain(loss) on investments	(2,421)	
Unrealized gain on investments	<u>390,736</u>	<u>332,617</u>
	<u>\$ 414,479</u>	<u>\$ 353,539</u>

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021, are unconditional and due \$356,200 in 2022 and \$276,618 over the following two years. Promises to give that are due after 2022 are discounted at 3.0%. Uncollectible promises are expected to be insignificant.

NOTE 5. 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, 2021 and 2020 was \$85,781 and \$88,882, respectively.

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 2021 or 2020. 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 \$2,132,898 in pledges and related payments and expended \$120,298 on capital campaign fundraising costs. The balances of this fund at December 31, 2021 and 2020 were \$2,012,600 and \$1,974,874, respectively.

Net assets with donor restrictions as of December 31, 2021 and 2020 total \$2,114,872 and \$2,080,247, respectively.

NOTE 6. CONCENTRATION OF CREDIT RISK

The Organization's cash deposits are held in an account at one banking institution. Accounts at the institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2021, \$138,821 was at risk.

The Organization's investment accounts are protected by the Securities Investor Protection Corporation, which provides up to \$500,000 (up to \$250,000 cash claims) per investor in the event of brokerage failure. As of December 31, 2021, investments of \$2,899,643 were at risk.

During 2021 and 2020 all capital campaign contributions and promises to give were made by related parties.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 7. COMMITMENTS

On July 1, 2021, the Organization entered into a two year operating lease ending June 30, 2023 with Second Congregational Church. The annual rent per year is \$13,650 payable in advance on the first day of each month. The terms of the lease provide Heart Care International, Inc. with office space, maintenance, all utilities aside from communication, and use of common church facilities. The Organization may request two renewals of the lease for one year terms , under the same conditions and terms except that the rent will be increased 3% above its current level a the time of each renewal.

NOTE 8. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2021 available to meet general expenditures.

Cash and cash equivalents	\$ 1,080,344
Investments	2,423,453
Promises to give – current	356,200
Other receivables	<u>8</u>
Total Financial Assets	<u>3,860,005</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions	<u>2,114,872</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,745,133</u>

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2022, the date which the financial statements were available for issue.

Heart Care International (HCI) continued as planned in 2020 during the pandemic, resuming travel in August 2021 after a 21-month hiatus. A small traveling team went to the Dominican Republic in August 2021 and to Tuxtla-Gutierrez, Chiapas, Mexico in November 2021. HCI scheduled five trips for 2022 and has successfully completed four of them at the time of this audit review - Mexico in May 2022, Dominican Republic in July 2022, Mexico in September 2022, Dominican Republic in October 2022, and Peru in November 2022 (upcoming).

We currently have five trips planned for 2023 - Mexico in April 2023, Dominican Republic in May 2023, Dominican Republic and Mexico in September 2023, and Peru in November 2023.

Friend and foundation donations continued to rise slightly in 2021 after the 58% dip in 2019. Donations primarily come in during the end of the calendar year. We expect the 2022 donations to closely match or be slightly higher than 2021's.

In 2022 HCI began work with a grant researcher to identify new fundraising opportunities within foundations whose missions align with HCI's work. We remain hopeful that we can include new funding sources in our 2022 financial statement.