

HEART CARE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

HEART CARE INTERNATIONAL, INC.

TABLE OF CONTENTS

Years Ended December 31, 2023 and 2022

	<u>PAGE</u>
Independent Auditor's Report	2 - 3
Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 14

WALTER J. McKEEVER & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

15 VALLEY DRIVE
GREENWICH, CT 06831
203 622-8625
FAX 203 622-4170

PLEASE REPLY TO:
P.O. BOX 5147
GREENWICH, CT 06831
WWW.WJMCO.COM

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, 2023 and 2022, 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, 2023 and 2022, 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 31, 2024

HEART CARE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS

Current Assets	2023	2022
Cash and cash equivalents	\$ 519,355	\$ 961,379
Investments (Note 3)	3,380,076	2,335,894
Promises to give - current (Note 4)	61,520	286,300
Other receivables	11,185	3,250
Prepaid expenses	2,654	2,620
Total Current Assets	3,974,790	3,589,443
Equipment (Note 2)		
Computers	9,673	9,673
Medical equipment	130,163	130,163
Ultrasound probe	5,000	5,000
Accumulated depreciation	(144,836)	(144,816)
Net Equipment		20
Other Assets		
Promises to give - noncurrent (Note 4)		11,220
Total Other Assets		11,220
Total Assets	\$ 3,974,790	\$ 3,600,683

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued expenses	\$ 3,984	\$ 5,068
Deferred reveune	3,060	
Total Current Liabilities	7,044	5,068
Net Assets		
Without donor restrictions	1,819,807	1,484,553
With donor restrictions (Note 5)	2,147,939	2,111,062
Total Net Assets	3,967,746	3,595,615
Total Liabilities and Net Assets	\$ 3,974,790	\$ 3,600,683

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
Revenues, Gains, and Other Support			
Contributions	\$ 197,865	\$ 33,047	\$ 230,912
Donated facilities and services (Note 2)	514,654		514,654
Special event revenue	43,731		43,731
Investment return (Note 3)	475,404	3,830	479,234
Total Revenues, Gains and Other Support	<u>1,231,654</u>	<u>36,877</u>	<u>1,268,531</u>
Functional Expenses			
Program	773,093		773,093
Support	123,287		123,287
Total Functional Expenses	<u>896,380</u>		<u>896,380</u>
Change in Net Assets from Operations	<u>335,274</u>	<u>36,877</u>	<u>372,151</u>
NONOPERATING ACTIVITIES			
Depreciation	<u>(20)</u>		<u>(20)</u>
Change in Net Assets from Nonoperating Activities	<u>(20)</u>		<u>(20)</u>
Change in Net Assets	335,254	36,877	372,131
Net Assets - Beginning of Year	<u>1,484,553</u>	<u>2,111,062</u>	<u>3,595,615</u>
Net Assets - End of Year	<u>\$ 1,819,807</u>	<u>\$ 2,147,939</u>	<u>\$ 3,967,746</u>

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Revenues, Gains, and Other Support			
Contributions	\$ 122,790	\$	\$ 122,790
Donated facilities and services (Note 2)	571,786		571,786
PPP loan forgiveness	24,797		24,797
Investment return (Note 3)	(347,744)	520	(347,224)
Total Revenues, Gains and Other Support	371,629	520	372,149
Functional Expenses			
Program	792,819	6,156	798,975
Support	117,363		117,363
Total Functional Expenses	910,182	6,156	916,338
Change in Net Assets from Operations	(538,553)	(5,636)	(544,189)
NONOPERATING ACTIVITIES			
Capital campaign contributions		2,201	2,201
Capital campaign expenses		(375)	(375)
Depreciation	(1,230)		(1,230)
Change in Net Assets from Nonoperating Activities	(1,230)	1,826	596
Change in Net Assets	(539,783)	(3,810)	(543,593)
Net Assets - Beginning of Year	2,024,336	2,114,872	4,139,208
Net Assets - End of Year	\$ 1,484,553	\$ 2,111,062	\$ 3,595,615

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023 and 2022

PROGRAM SERVICES	2023	2022
Drugs and medical supplies	\$ 25,967	\$ 34,316
Hospital	219,065	259,341
Hotel	49,102	49,401
Freight		443
Insurance	6,288	6,130
Clothing for team membership	5,156	1,779
Salaries	57,917	55,000
Payroll taxes	4,716	4,493
Education-Allison Fund		6,156
Parent booklets	7,647	3,930
Professional medical services	273,220	265,680
Travel	124,015	112,306
	\$ 773,093	\$ 798,975
 Total Program Services		
 SUPPORT		
Accounting and payroll	\$ 9,774	\$ 9,884
Bank fees	2,490	1,647
Insurance	1,297	946
Marketing	798	2,497
Miscellaneous	5,391	6,027
Office expense	5,168	3,301
Payroll taxes	6,075	5,730
Rent (Note 7)	13,854	13,650
Salaries	75,443	70,940
Telephone	2,329	1,703
Website	668	1,038
	\$ 123,287	\$ 117,363
 Total Support		

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 372,131	\$ (543,593)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20	1,230
Unrealized gain (loss) on investments	(398,095)	388,218
Realized (gain) on investments	(11,652)	
Decrease in promises to give	236,000	335,298
(Increase) in other receivables	(7,935)	(3,242)
Increase in prepaid expenses	(34)	
Increase in deferred revenue	3,060	
Increase (decrease) in accrued expenses	(1,084)	3,783
Total adjustments	(179,720)	725,287
Net cash provided by operating activities	192,411	181,694
Cash flows from investing activities:		
Proceeds from sale and purchase of investments- net	(634,435)	(300,659)
Net cash used by investing activities	(634,435)	(300,659)
Net (decrease) in cash and cash equivalents	(442,024)	(118,965)
Cash and cash equivalents - beginning of year	961,379	1,080,344
Cash and cash equivalents - end of year	\$ 519,355	\$ 961,379

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023 and 2022

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, 2023, 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 2020 – 2022 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.

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HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842), which supersedes the leasing guidance in ASC 840, Leases. Under ASU 2016-02 lessees with terms longer than 12 months are required to recognize the rights and obligations of new and existing lease arrangements as assets and liabilities on the statement of financial position. Leases will be classified as either finance or operating, with classification determining the pattern of expense recognition on the statement of activities. Topic 842 was effective for the Organization on January 1st, 2022. Adoption of the standard had no impact on 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, 2023 and 2022 consists of the following:

<u>Level 1:</u>	<u>2023</u>	<u>2022</u>
Equities	\$ 1,991,808	\$ 1,752,484
Fixed Income	<u>1,388,268</u>	<u>583,410</u>
	<u>\$ 3,380,076</u>	<u>\$ 2,335,894</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.

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HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 3. INVESTMENTS (Continued)

The following schedule summarizes the investment return for the year ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 69,487	\$ 40,994
Realized gain on investments	11,652	
Unrealized gain(loss) on investments	<u>398,095</u>	<u>(388,218)</u>
	<u>\$ 479,234</u>	<u>\$ (347,224)</u>

NOTE 4. PROMISES TO GIVE

At the end of 2018, HCI quietly 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, 2023, are unconditional and \$61,520 is due the following year. 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 balances of this fund at December 31, 2023 and 2022 were \$117,021 and \$80,144, 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 2023 or 2022. 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 \$2,135,100 in pledges and related payments and expended \$120,673 on capital campaign fundraising costs. The balances of this fund at December 31, 2023 and 2022 were \$2,014,427.

Net assets with donor restrictions as of December 31, 2023 and 2022 total \$2,147,939 and \$2,111,062, 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, 2023, there were no uninsured balances.

(Continued)

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6. CONCENTRATION OF CREDIT RISK (Continued)

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, 2023, investments of \$3,170,775 were at risk.

During 2022 all capital campaign contributions and promises to give were made by related parties.

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 at the time of each renewal. The lease was renewed through June 30, 2025.

NOTE 8. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2023 available to meet general expenditures.

Cash and cash equivalents	\$	519,355
Investments		3,380,076
Promises to give – current		61,520
Other receivables		11,185
Total Financial Assets		3,972,136
Less amounts not available to be used within one year		
Net assets with donor restrictions		2,147,939
Financial assets available to meet general expenditures over the next twelve months	\$	1,824,197

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2024 the date which the financial statements were available for issue.

Heart Care International (HCI) embarked on four team medical mission trips during 2023 – Mexico in April 2023, the Dominican Republic in May 2023, Mexico in September 2023 and Peru in November 2023. In addition, HCI embarked on a site visit to Honduras in February 2023.

(Continued)

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9. SUBSEQUENT EVENTS (Continued)

At the time of this audit review, HCI has completed the following three medical mission trips in 2024 – the Dominican Republic in March 2024, and Mexico in April and September 2024. The remaining 2024 schedule includes a team medical mission trip to Peru in November 2024.

Our technology build research continued in 2023 and into 2024. This technology piece remains at the heart of the capital campaign, quietly begun in 2018 with pledges from the HCI Board of Directors. HCI remains hopeful that a solution can be identified and the campaign can be re-ignited with the technology piece at the forefront.

Grant research and discussions have continued through 2024 and will remain a targeted element of HCI's annual fundraising into the future. The work continues under the leadership of HCI's Board of Directors and key HCI friends and donors.