

FINANCIAL STATEMENTS



**SAVE A CHILD'S HEART FOUNDATION -
U.S., INC.**

FOR THE YEAR ENDED DECEMBER 31, 2013

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Save a Child's Heart Foundation - U.S., Inc.
Potomac, Maryland

We have audited the accompanying financial statements of the Save a Child's Heart Foundation - U.S., Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and change in net assets, 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRF CPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2013, and the change 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.

Gelman Rosenberg & Freedman

June 11, 2014

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	117,098
Investments (Notes 2 and 5)		329,201
Accounts receivable		<u>150,048</u>

TOTAL ASSETS **\$ 596,347**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$	<u>8,966</u>
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NET ASSETS

Unrestricted		277,075
Temporarily restricted (Note 3)		<u>310,306</u>

Total net assets 587,381

TOTAL LIABILITIES AND NET ASSETS **\$ 596,347**

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 1,460,633	\$ -	\$ 1,460,633
Interest/dividend income	69	-	69
Unrealized gain	20,092	-	20,092
Realized gain	568	-	568
In-kind contributions	<u>23,470</u>	<u>-</u>	<u>23,470</u>
Total revenue	<u>1,504,832</u>	<u>-</u>	<u>1,504,832</u>
EXPENSES			
Program Services:			
Pediatric Cardiac Care	<u>1,190,530</u>	<u>-</u>	<u>1,190,530</u>
Supporting Services:			
Management and General	96,008	-	96,008
Fundraising	<u>201,105</u>	<u>-</u>	<u>201,105</u>
Total supporting services	<u>297,113</u>	<u>-</u>	<u>297,113</u>
Total expenses	<u>1,487,643</u>	<u>-</u>	<u>1,487,643</u>
Change in net assets	17,189	-	17,189
Net assets at beginning of year	<u>259,886</u>	<u>310,306</u>	<u>570,192</u>
NET ASSETS AT END OF YEAR	<u>\$ 277,075</u>	<u>\$ 310,306</u>	<u>\$ 587,381</u>

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Support	Supporting Services			Total
	Pediatric Cardiac Care	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 72,458	\$ 36,229	\$ 72,458	\$ 108,687	\$ 181,145
Payroll taxes	3,239	1,620	3,239	4,859	8,098
Fringe benefits	9,340	4,670	9,340	14,010	23,350
Total compensation and related expenses	85,037	42,519	85,037	127,556	212,593
Grants and awards	977,336	-	-	-	977,336
Travel	34,405	8,601	-	8,601	43,006
Accounting	-	12,258	-	12,258	12,258
Bank fees	-	6,359	-	6,359	6,359
Printing and publications	8,934	4,467	8,934	13,401	22,335
Postage and shipping	504	303	1,211	1,514	2,018
Website maintenance and development	4,983	-	4,983	4,983	9,966
Office expenses and supplies	-	2,716	-	2,716	2,716
Rent	-	7,729	-	7,729	7,729
Insurance	-	5,132	-	5,132	5,132
Meetings and conferences	2,272	-	6,815	6,815	9,087
Advertising and promotion	25,786	-	6,946	6,946	32,732
Direct mail	-	-	19,583	19,583	19,583
State registrations	-	-	4,266	4,266	4,266
Dues and memberships	-	5,924	-	5,924	5,924
Physician training	38,500	-	-	-	38,500
Event expenses	12,773	-	38,318	38,318	51,091
Shop Your Heart Out	-	-	11,012	11,012	11,012
Charitable donation	-	-	5,000	5,000	5,000
NYC Marathon	-	-	9,000	9,000	9,000
	\$ 1,190,530	\$ 96,008	\$ 201,105	\$ 297,113	\$ 1,487,643

See accompanying notes to financial statements.

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 17,189
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Unrealized gain	(20,092)
Realized gain	(568)
Increase in:	
Accounts receivable	(150,048)
Increase in:	
Accounts payable and accrued liabilities	<u>8,966</u>
Net cash used by operating activities	<u>(144,553)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(52,517)
Proceeds from sale of investments	<u>34,527</u>
Net cash used by investing activities	<u>(17,990)</u>
Net decrease in cash and cash equivalents	(162,543)
Cash and cash equivalents at beginning of year	<u>279,641</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 117,098</u>

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Save a Child's Heart Foundation - U.S., Inc. (the Foundation) is a non-profit organization, incorporated in 1996. The Foundation's purpose is to provide funding for underprivileged children who are in need of cardiac surgery.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Foundation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Income taxes -

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2013, the Foundation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions -

Unrestricted and temporarily restricted contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

In-kind contributions -

In-kind contributions consist of advertisements. In-kind contributions are recorded at their fair market value as of the date of the gift.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

2. INVESTMENTS

Investments consisted of the following at December 31, 2013:

	<u>Fair Value</u>
Money market	\$ 266,257
Equity	24,205
Unit investment trusts	<u>38,739</u>
TOTAL INVESTMENTS	\$ <u>329,201</u>

Included in investment income are the following at December 31, 2013:

Unrealized gain	\$ 20,092
Realized gain	<u>568</u>
TOTAL INVESTMENT INCOME	\$ <u>20,660</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013:

Pediatric Indigent Care Program - Wolfson Medical Center	\$ <u>310,306</u>
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4. LEASE COMMITMENTS

The Foundation leases office space under a two-year agreement, which originated in February 2012 and was subsequently renewed for an additional two years through January 2016. Base rent is \$3,152 per year, plus a proportionate share of expenses, increasing by a factor of 2.5% per year.

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2014	\$ 3,152
2015	3,224
2016	<u>269</u>
	\$ <u>6,645</u>

Rent expense for the year ended December 31, 2013 was \$7,729.

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

5. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Foundation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Foundation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Unit investment trust* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total December 31, 2013</u>
Asset Class:				
Mutual funds	\$ 266,257	\$ -	\$ -	\$ 266,257
Equity	24,205	-	-	24,205
Unit investment trusts	<u>38,739</u>	<u>-</u>	<u>-</u>	<u>38,739</u>
TOTAL	<u>\$ 329,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,201</u>

6. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 11, 2014, the date the financial statements were issued.