

FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

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

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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 Save a Child's Heart Foundation - U.S., Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2015, 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.

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, 2015, 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.

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Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

August 9, 2016

SAVE A CHILD'S HEART FOUNDATION - U.S., INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 370,153	\$ 112,388
Investments	320,251	365,947
Accounts receivable	<u>246,059</u>	<u>235,097</u>
TOTAL ASSETS	<u>\$ 936,463</u>	<u>\$ 713,432</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ <u>70,679</u>	\$ <u>10,960</u>
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NET ASSETS

Unrestricted	555,478	392,166
Temporarily restricted	<u>310,306</u>	<u>310,306</u>
Total net assets	<u>865,784</u>	<u>702,472</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 936,463</u>	<u>\$ 713,432</u>
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SAVE A CHILD'S HEART FOUNDATION - U.S., INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions	\$ 2,231,734	\$ -	\$ 2,231,734	\$ 1,924,810
Interest/dividend income	14,262	-	14,262	19,904
Unrealized loss	(20,075)	-	(20,075)	(9,479)
Realized (loss) gain	(9,609)	-	(9,609)	1,751
Other revenue	<u>1,815</u>	<u>-</u>	<u>1,815</u>	<u>1,736</u>
Total revenue	<u>2,218,127</u>	<u>-</u>	<u>2,218,127</u>	<u>1,938,722</u>
EXPENSES				
Program Services:				
Pediatric Cardiac Care	<u>1,472,752</u>	<u>-</u>	<u>1,472,752</u>	<u>1,376,509</u>
Supporting Services:				
Management and General	117,040	-	117,040	103,616
Fundraising	<u>465,023</u>	<u>-</u>	<u>465,023</u>	<u>343,505</u>
Total supporting services	<u>582,063</u>	<u>-</u>	<u>582,063</u>	<u>447,121</u>
Total expenses	<u>2,054,815</u>	<u>-</u>	<u>2,054,815</u>	<u>1,823,630</u>
Change in net assets	163,312	-	163,312	115,092
Net assets at beginning of year	<u>392,166</u>	<u>310,306</u>	<u>702,472</u>	<u>587,380</u>
NET ASSETS AT END OF YEAR	<u>\$ 555,478</u>	<u>\$ 310,306</u>	<u>\$ 865,784</u>	<u>\$ 702,472</u>

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015				2014	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Pediatric Cardiac Care	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 74,220	\$ 29,690	\$ 44,532	\$ 74,222	\$ 148,442	\$ 125,134
Payroll taxes	3,554	1,777	3,554	5,331	8,885	9,175
Fringe benefits	9,999	5,000	9,999	14,999	24,998	26,077
Total compensation and related expenses	87,773	36,467	58,085	94,552	182,325	160,386
Grants and awards	1,142,850	-	-	-	1,142,850	1,140,525
Travel	22,346	5,587	-	5,587	27,933	34,044
Accounting	-	31,093	-	31,093	31,093	27,359
Consultants	36,000	-	36,000	36,000	72,000	106,000
Bank fees	-	21,687	-	21,687	21,687	11,028
Printing and publications	1,895	947	1,895	2,842	4,737	18,087
Postage and shipping	489	293	1,173	1,466	1,955	1,945
Website maintenance and development	4,194	-	4,194	4,194	8,388	10,262
Office expenses and supplies	-	5,773	-	5,773	5,773	5,773
Rent	-	7,615	-	7,615	7,615	7,543
Insurance	-	5,978	-	5,978	5,978	7,518
Meetings and conferences	3,353	-	10,059	10,059	13,412	3,865
Advertising and promotion	10,242	-	30,726	30,726	40,968	17,368
Direct mail	-	-	47,201	47,201	47,201	34,622
State registrations	-	-	4,875	4,875	4,875	9,110
Dues and memberships	-	1,600	-	1,600	1,600	1,600
Physician training	600	-	-	-	600	30,300
Event expenses	163,010	-	267,498	267,498	430,508	166,983
Shop Your Heart Out	-	-	-	-	-	14,490
Charitable donation	-	-	18	18	18	75
NYC Marathon	-	-	3,299	3,299	3,299	14,747
TOTAL	\$ 1,472,752	\$ 117,040	\$ 465,023	\$ 582,063	\$ 2,054,815	\$ 1,823,630

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, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 163,312	\$ 115,092
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss	20,075	9,479
Realized loss (gain)	9,609	(1,751)
Increase in:		
Accounts receivable	(10,962)	(85,049)
Increase in:		
Accounts payable and accrued liabilities	<u>59,719</u>	<u>1,993</u>
Net cash provided by operating activities	<u>241,753</u>	<u>39,764</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(43,992)	(45,206)
Proceeds from sale of investments	<u>60,004</u>	<u>732</u>
Net cash provided (used) by investing activities	<u>16,012</u>	<u>(44,474)</u>
Net increase (decrease) in cash and cash equivalents	257,765	(4,710)
Cash and cash equivalents at beginning of year	<u>112,388</u>	<u>117,098</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 370,153</u>	<u>\$ 112,388</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 7,729</u>	<u>\$ 26,435</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Save a Child's Heart Foundation - U.S., Inc. (the Foundation) is a non-profit organization, incorporated in the State of Maryland 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*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

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 stated separately 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, 2015, 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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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, 2015

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

Fair value measurement -

The Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. **INVESTMENTS**

Investments consisted of the following at December 31, 2015:

	<u>Fair Value</u>
Mutual funds	\$ 292,305
Equity	550
Unit investment trusts	<u>27,396</u>
TOTAL INVESTMENTS	<u>\$ 320,251</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2015:

Pediatric Indigent Care Program - Wolfson Medical Center	<u>\$ 310,306</u>
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There were no temporarily restricted net assets released from donor restrictions during the year ended December 31, 2015.

4. **LEASE COMMITMENTS**

The Foundation leased 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 was \$3,152 per year, plus a proportionate share of expenses, increasing by a factor of 2.5% per year.

A new extension to the lease was entered into in February 2016 that will expire on January 31, 2017. Base rent is set at \$3,480 per year.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. LEASE COMMITMENTS (Continued)

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

Year Ending December 31,

2016	\$	3,459
2017		<u>290</u>
	\$	<u>3,749</u>

Rent expense for the year ended December 31, 2015 was \$7,615.

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, 2015.

- *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.
- *Equity* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Unit investment trusts* - 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.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

5. FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, the Foundation's investments as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual funds	\$ 292,305	\$ -	\$ -	\$ 292,305
Equity	550	-	-	550
Unit investment trusts	<u>27,396</u>	<u>-</u>	<u>-</u>	<u>27,396</u>
TOTAL	<u>\$ 320,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,251</u>

6. SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through August 9, 2016, the date the financial statements were issued.

A new extension to the lease at Non-Profit Village was entered into in February 2016 that will expire on January 31, 2017.