

HEART CARE INTERNATIONAL, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2015

HEART CARE INTERNATIONAL, INC.

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Year Ended December 31, 2015

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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 statement of financial position as of December 31, 2015, 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, 2015 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.

Walter J. McKeever & Co, LLC

Walter J. McKeever & Company, LLC
Greenwich, Connecticut
November 4, 2016

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 246,725
Investments (Note 7)	1,178,932
Other receivables	6,624
Prepaid trip expenses	7,272
Prepaid expenses	<u>2,698</u>
 Total Current Assets	 <u>1,442,251</u>

Equipment (Note 2)

Computers	4,588
Medical equipment	128,958
Ultrasound probe	5,000
Accumulated depreciation	<u>(138,113)</u>
 Total Equipment (net of accumulated depreciation)	 <u>433</u>

Total Assets	<u><u>\$ 1,442,684</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses	<u>\$ 23,762</u>
 Total Current Liabilities	 <u>23,762</u>

Net Assets

Unrestricted	1,324,819
Temporarily restricted (Note 6)	<u>94,103</u>
 Total Net Assets	 <u>1,418,922</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,442,684</u></u>

See independent auditor's report and accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

CHANGES IN UNRESTRICTED NET ASSETS

Revenues, Gains, and Other Support

Contributions	\$ 380,420
Contributed facilities and services (Note 4)	729,159
Dividend and interest income	30,034
Realized gain on investments	2,783
Unrealized loss on investments	(7,452)
Net assets released from restrictions	630

Total Revenues, Gains and Other Support	1,135,574
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Expenses

Program services	918,126
General and administrative	167,481

Total Expenses	1,085,607
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Increase in Unrestricted Net Assets	49,967
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CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Revenues, Expenses, and Other Support

Dividend and interest income	2,614
Unrealized loss on investments	(1,237)
Net assets released from restrictions	(630)

Increase in Temporarily Restricted Net Assets	747
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Change in Net Assets	50,714
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Net Assets - beginning of year	1,368,208
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Net Assets - end of year	\$ 1,418,922
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See independent auditor's report and accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

PROGRAM SERVICES

Drugs and medical supplies	\$ 127,785
Education - Allison Fund	630
Freight	14,835
Hotel	75,598
Insurance	2,308
Clothing for team membership	1,831
Outside contractor	5,000
Postage and delivery	421
Parent booklets	1,580
Non-medical mission supplies	422
Professional medical services	586,089
Travel	101,627
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Total Program Services	<u><u>\$ 918,126</u></u>

GENERAL AND ADMINISTRATIVE

Accounting and payroll	\$ 6,309
Bank fees	640
Depreciation	260
Insurance	2,857
Marketing	10,639
Miscellaneous	12,130
Office expense	3,362
Outside contractor	70,833
Payroll taxes	3,502
Rent (Note 5)	13,200
Salaries	41,499
Telephone	1,551
Website	699
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Total General and Administrative	<u><u>\$ 167,481</u></u>

See independent auditor's report and accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

Cash flows from operating activities:

Change in net assets	<u>\$ 50,714</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	260
Realized gain on investments	(2,783)
Unrealized loss on investments	8,689
Increase in prepaid trip expenses	(2,446)
Increase in prepaid expenses	(133)
Increase in accrued expenses	<u>7,052</u>
Total adjustments	<u>10,639</u>
Net cash provided by operating activities	<u>61,353</u>
Cash flows from investing activities:	
Purchase of investments	(4,423)
Proceeds from sale of investments	<u>5,258</u>
Net cash provided by investing activities	<u>835</u>
Net increase in cash and cash equivalents	62,188
Cash and cash equivalents - beginning of year	<u>184,537</u>
Cash and cash equivalents - end of year	<u><u>\$ 246,725</u></u>

See independent auditor's report and accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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 Accounting

The financial statements of Heart Care International, Inc. have been prepared under the accrual basis of accounting. Under this method, revenues are recognized when earned rather than when received and expenses are recognized as incurred rather than paid.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board, under which the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 may 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.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with maturity dates of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Equipment

Equipment greater than \$500 with useful lives of greater than one year are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor restricted contributions are reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose purposes are met within the year of donation are recorded as unrestricted.

Donated Securities

All stock donated to the Organization is valued at fair market value upon date of receipt.

Income Taxes

Heart Care International, Inc. 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. The Organization accounts for uncertainty in income tax positions in the financial statements by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has analyzed the tax positions taken or expected to be taken and has concluded that as of December 31, 2015 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) 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; years ended December 31, 2012 – December 31, 2014 remain open.

NOTE 3. CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2015, 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 was not in excess of FDIC insured limits as of December 31, 2015. Deposits in excess of SIPC limits as of December 31, 2015 were \$678,932 for securities.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 4. 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, 2015:

Anesthesiologists	\$ 105,750
Cardiologists	74,374
Critical Care Physicians	139,926
Medical Technicians	18,233
Nursing (PICU & OR)	87,435
Perfusionists	35,594
Respiratory Therapists	18,916
Surgeons	74,551
Other Medical Support	31,310
Drugs and Medical Supplies	91,126
Hotels and Transportation	<u>51,944</u>
	<u>\$ 729,159</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 5. COMMITMENTS

In 2012, Heart Care International, Inc. entered into an operating lease for office space at Second Congregational Church in Greenwich, Connecticut. The terms of this lease provide Heart Care International, Inc. with office space, maintenance, all utilities aside from communications, and use of common church facilities at the cost of \$1,100 per month. The lease term was from November 1, 2012 to October 31, 2013. The lease was renewed for a period of twelve months on November 1, 2013 and was subject to automatic renewal for a period of twelve months each subsequent anniversary unless the Organization gave notice that it wished not to renew to the Church by May 1st.

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 is \$13,200 payable monthly in advance on the first day of each month. The terms of this lease still provide Heart Care International, Inc. with office space, maintenance, all utilities aside from communications, and use of common church facilities. The Organization may request a renewal of the lease for two years by submitting written request to the Church prior to July 15, 2018. Within 30 days of the request, the Church shall submit to the Organization in writing the renewal terms and conditions for the Organization's consideration and acceptance in writing.

During 2015, The Second Congregational Church also contributed funds to the Organization.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

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, 2015 was \$77,612.

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 2015. The balance remaining of \$16,491 will be used for future purchases.

Temporarily restricted net assets as of December 31, 2015 totaled \$94,103.

NOTE 7. FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value by investment category in the table below as of December 31, 2015. 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, although 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 fair value measurements authoritative literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of unobservable inputs reflecting the companies' own assumptions about the method assets should be priced and have the lowest priority.

All of the Organization's investments are valued using quoted prices in active markets for identical assets (Level 1).

	<u>Fair Value</u>
Corporate bonds	\$ 60,928
Equities	539,860
Mutual funds	<u>578,144</u>
	<u>\$ 1,178,932</u>

NOTE 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2016, the date which the financial statements were available for issue.