

International Children's Heart Foundation

Audited Financial Statements

June 30, 2013



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

International Children's Heart Foundation

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June 30, 2013

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Independent Auditors' Report

The Board of Directors
International Children's Heart Foundation

We have audited the accompanying financial statements of the International Children's Heart Foundation, which comprise the statement of financial position as of June 30, 2013 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.

Auditors' 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 auditors' 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 International Children's Heart Foundation as of June 30, 2013, 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.

Dixon Hughes Goodman LLP

January 14, 2014

International Children's Heart Foundation

Statement of Financial Position

June 30, 2013

Assets

Cash	\$ 95,130
Accounts receivable	261,240
Medical supply inventories	337,434
Prepaid expenses	7,116
Property and equipment, net	<u>383,787</u>
Total assets	<u>\$ 1,084,707</u>

Liabilities and Net Assets

Accounts payable	\$ 151,927
Accrued expenses	9,020
Deferred rent	<u>58,076</u>
Total liabilities	219,023
Net assets	
Unrestricted net assets	<u>865,684</u>
Total liabilities and net assets	<u>\$ 1,084,707</u>

International Children's Heart Foundation

Statement of Activities

For the Year Ended June 30, 2013

Support and Revenue

Support

Contributions and grants	\$ 896,551
Special events	23,597
In-kind	<u>3,240,391</u>
Total support	<u>4,160,539</u>

Other revenue

Program services	<u>2,867,464</u>
Total support and revenue	<u><u>7,028,003</u></u>

Expenses

Program services	6,360,677
General and administrative	294,232
Fundraising	<u>342,704</u>
Total expenses	<u><u>6,997,613</u></u>

Change in net assets 30,390

Unrestricted net assets, beginning of year 835,294

Unrestricted net assets, end of year \$ 865,684

International Children's Heart Foundation

Statement of Functional Expenses

For the Year Ended June 30, 2013

	Program Services	Management and General	Fundraising	Total Expenses
Accounting	\$ -	\$ 10,000	\$ -	\$ 10,000
Advertising	2,200	-	38,454	40,654
Bank fees	4,429	-	-	4,429
Books and subscriptions	8,506	-	-	8,506
Computer software	5,058	10,115	1,686	16,859
Conferences - travel	43,936	-	-	43,936
Contract services	9,634	3,028	-	12,662
Fundraising special events	-	-	53,493	53,493
Insurance	14,138	10,282	1,286	25,706
Insurance - group	78,334	22,381	11,190	111,905
Medical contract services	406,849	-	-	406,849
Medical services	3,266	-	-	3,266
Medical travel	1,016,367	-	-	1,016,367
Medical supplies	294,313	-	-	294,313
Medical - freight	30,883	-	-	30,883
Meetings and banquets	-	792	-	792
Memberships	2,094	1,100	300	3,494
Office supplies	11,451	16,351	3,452	31,254
Other	130,491	4,039	4,953	139,483
Postage	1,648	2,748	6,595	10,991
Printing	2,014	670	670	3,354
Recruitment	5,629	7,506	5,629	18,764
Rent - office	40,254	28,177	12,076	80,507
Research projects	8,049	-	-	8,049
Salaries and benefits	956,491	172,700	199,269	1,328,460
Telephone	3,462	2,077	1,385	6,924
Total functional expenses before depreciation and in-kind services	3,079,496	291,966	340,438	3,711,900
Depreciation	40,790	2,266	2,266	45,322
In-kind services and supplies	3,240,391	-	-	3,240,391
	\$ 6,360,677	\$ 294,232	\$ 342,704	\$ 6,997,613

See accompanying notes to financial statements.

International Children's Heart Foundation

Statement of Cash Flows

For the Year Ended June 30, 2013

Cash Flows from Operating Activities

Change in net assets	\$ 30,390
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	45,322
Donated goods	(50,500)
Loss on disposition of equipment	28,970
Change in assets and liabilities:	
Accounts receivable	(261,240)
Prepaid expenses	(7,116)
Inventory	95,312
Accounts payable and accrued expenses	130,763
Deferred rent	58,076
	<hr/>
Net cash provided by operating activities	69,977
	<hr/>
Cash Flows from Investing Activities	
Purchase of equipment	(54,106)
	<hr/>
Net cash used in investing activities	(54,106)
	<hr/>
Net increase in cash	15,871
Cash, beginning of year	79,259
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Cash, end of year	<u>\$ 95,130</u>

See accompanying notes to financial statements.

International Children's Heart Foundation

Notes to Financial Statements

June 30, 2013

1. Nature of Organization

Description of Organization

International Children's Heart Foundation (the "Foundation") is a non-profit corporation whose mission is to provide medical care for children born with congenital heart disease by sending medical professionals, knowledge and technology to developing countries.

The Foundation receives support from a variety of sources, including private contributions, contractual agreements with foreign countries for program services, and in-kind donations of medical services and medical supplies.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. The financial statements are prepared in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide, *Not-for-Profit Entities*, which is in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The process of preparing financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, the actual results may differ from estimated amounts.

Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Support that is restricted by the donor is reported as an increase in unrestricted net assets in the reporting period in which the restriction expires. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

2. Summary of Significant Accounting Policies (continued)

Support and Revenue (continued)

At June 30, 2013, all net assets were unrestricted. Program income includes fees received under contractual agreements with foreign countries and is recognized as services are performed under the contracts.

In-Kind Donations

The Foundation records various types of in-kind donations received in the course of daily operations, including contributed professional services, medical equipment, and medical supplies. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. These values are included in the accompanying financial statements as in-kind donations and offsetting expenses. The value of any in-kind donation received, but not yet expended, is capitalized and is recognized on the statement of financial position as medical supplies inventory.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Foundation are summarized on a functional basis in the statement of activities. Expenses are charged to each program based upon direct expenditures incurred. Any expenditures not specifically identifiable by program are allocated based upon the relative direct cost method.

Accounts Receivable

Accounts receivable consist of amounts due from foreign countries related to program services. The Foundation records accounts receivable at their estimated net realizable value. The Foundation does not recognize interest income on outstanding accounts receivable. The Foundation allows for uncollectible accounts receivable based on historical collection experience. There was no allowance for doubtful accounts at June 30, 2013.

Medical Supply Inventories

Medical supply inventories consist of medical supplies purchased by or donated to the Foundation for use in providing medical care to children born with heart disease. Donated supplies are recorded at their wholesale fair value at the date of the donation. Purchased supplies are recorded at cost. All inventories are evaluated periodically and written off if it is determined they are no longer usable.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Purchased fixed assets are stated at cost, and assets donated are recorded at estimated fair market value when received. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Furniture and fixtures	5 – 7
Office equipment	5 – 10
Medical equipment	10

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded.

Income Taxes

The Foundation is a not-for-profit private foundation as described in Section 501(c)(3) of the Internal Revenue Code. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2013, and there are no interest and penalties related to income tax assessments. Fiscal years ending on or after June 30, 2010, remain subject to examination by federal and state tax authorities.

Advertising

All advertising is expensed as incurred and totaled approximately \$40,000 for the year ended June 30, 2013.

Subsequent Events

The Foundation evaluated the effect subsequent events would have on the financial statements through January 14, 2014 which is the date the financial statements were available to be issued.

3. Property and Equipment

Property and equipment consisted of the following at June 30, 2013:

Medical equipment	\$ 457,097
Office furnishings and equipment	<u>82,253</u>
	539,350
Less accumulated depreciation	<u>(155,563)</u>
	<u>\$ 383,787</u>

4. Long-Term Lease

The Foundation leases its office space under an operating lease. The deferred rent amount of \$58,076 at June 30, 2013, represents the amount of straight-line lease expense incurred to date in excess of amounts paid to the landlord under the terms of the lease.

At June 30, 2013, expected future minimum lease payments under the lease are as follows:

2014	\$	90,711
2015		119,091
2016		147,091
2017		149,392
2018		151,693
Thereafter		<u>805,539</u>
	\$	<u>1,463,517</u>