

HEART CARE INTERNATIONAL, INC.
FINANCIAL STATEMENTS
Year Ended December 31, 2020

HEART CARE INTERNATIONAL, INC.

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Year Ended December 31, 2020

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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 not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, 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

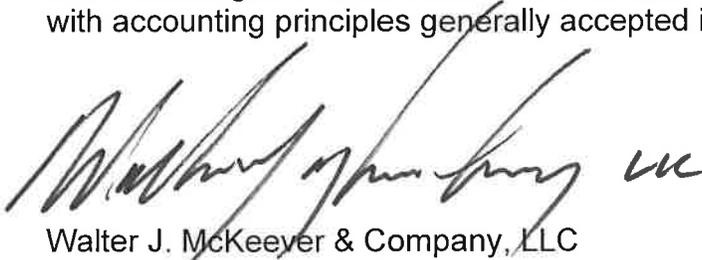
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020, 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.

A handwritten signature in black ink, appearing to read "Walter J. McKeever", followed by the letters "LLC" in a smaller, less distinct script.

Walter J. McKeever & Company, LLC
Greenwich, Connecticut
October 28, 2021

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 897,686
Investments (Note 3)	1,821,102
Promises to give - current (Note 4)	350,094
Other receivables	2,023
Prepaid expenses	<u>2,582</u>
 Total Current Assets	 <u>3,073,487</u>

Equipment (Note 2)

Computers	9,673
Medical equipment	130,163
Ultrasound probe	5,000
Accumulated depreciation	<u>(141,650)</u>
 Net Equipment	 <u>3,186</u>

Other Assets

Promises to give - noncurrent (Note 4)	<u>643,280</u>
 Total Other Assets	 <u>643,280</u>
 Total Assets	 <u><u>\$ 3,719,953</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses	\$ 1,499
PPP loan payable	<u>32,969</u>
 Total Current Liabilities	 <u>34,468</u>

Net Assets

Without donor restrictions	1,605,238
With donor restrictions (Note 6)	<u>2,080,247</u>
 Total Net Assets	 <u>3,685,485</u>
 Total Liabilities and Net Assets	 <u><u>\$ 3,719,953</u></u>

See accompanying notes to financial statements.

HEART CARE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING ACTIVITIES			
Revenues, Gains, and Other Support			
Contributions	\$ 120,137	\$	\$ 120,137
Investment return (Note 3)	<u>353,502</u>	<u>37</u>	<u>353,539</u>
Total Revenues, Gains and Other Support	<u>473,639</u>	<u>37</u>	<u>473,676</u>
Expenses			
Program	85,680		85,680
Support	<u>119,173</u>		<u>119,173</u>
Total Functional Expenses	<u>204,853</u>		<u>204,853</u>
Change in Net Assets from Operations	<u>268,786</u>	<u>37</u>	<u>268,823</u>
NONOPERATING ACTIVITIES			
Capital campaign contributions		106,471	106,471
Capital campaign expenses		(17,713)	(17,713)
Depreciation	<u>(1,936)</u>		<u>(1,936)</u>
Change in Net Assets from Nonoperating Activities	<u>(1,936)</u>	<u>88,758</u>	<u>86,822</u>
Change in Net Assets	266,850	88,795	355,645
Net Assets - Beginning of Year	<u>1,338,388</u>	<u>1,991,452</u>	<u>3,329,840</u>
Net Assets - End of Year	<u>\$ 1,605,238</u>	<u>\$ 2,080,247</u>	<u>\$ 3,685,485</u>

HEART CARE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

PROGRAM SERVICES

Drugs and medical supplies	\$ 10,263
Freight	276
Insurance	758
Clothing for team membership	658
Salaries	55,000
Payroll taxes	4,493
Parent booklets	1,606
Travel	12,626
	<hr/>
Total Program Services	<u>\$ 85,680</u>

SUPPORT

Accounting and payroll	\$ 7,628
Bank fees	694
Insurance	3,802
Marketing	3,040
Miscellaneous	3,436
Office expense	3,494
Payroll taxes	5,778
Rent (Note 8)	13,200
Salaries	71,445
Telephone	1,798
Website	4,858
	<hr/>
Total Support	<u>\$ 119,173</u>

HEART CARE INTERNATIONAL, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

Cash flows from operating activities:

Change in net assets \$ 355,645

Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation	1,936
Unrealized gain on investments	(332,617)
Decrease in promises to give	460,129
Decrease in other receivables	70
Decrease in prepaid expenses	802
Decrease in accrued expenses	<u>(5,553)</u>

Total adjustments 124,767

Net cash provided by operating activities 480,412

Cash flows from investing activities:

Proceeds from sale and purchase of investments- net (999,614)

Net cash used by investing activities (999,614)

Cash flows from financing activities:

Proceeds from PPP loan 32,969

Net cash provided by financing activities 32,969

Net decrease in cash and cash equivalents (486,233)

Cash and cash equivalents - beginning of year 1,383,919

Cash and cash equivalents - end of year \$ 897,686

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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.

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.

(Continued)

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Equipment

Items of property and equipment acquired at a cost in excess of \$500 are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

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. 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. Support expenses have been allocated on the basis of estimates made by management.

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.

Income Taxes

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, 2020, 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 2017 – 2019 remain open.

New Accounting Pronouncement

On June 3, 2020, the Financial Accounting Standards Board (FASB) issued a one year deferral for not-for-profit organizations to implement accounting standards under ASU 2014-09, Revenue from Contracts with Customers (Topic 606) and ASU 2016-02, Leases (Topic 842). Topic 606 was effective January 1, 2020 and the effects of adoption of these standards was immaterial to the financial statements. Topic 842 will be effective 2022.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

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, 2020 consists of the following:

<u>Level 1:</u>	
Equities	\$ 1,322,863
Fixed Income	<u>498,239</u>
	<u>\$ 1,821,102</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 following schedule summarizes the investment return for the year ended December 31, 2020:

Interest and dividend income	\$ 20,922
Unrealized gain on investments	<u>332,617</u>
	<u>\$ 353,539</u>

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4. PROMISES TO GIVE

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. Promises to give are restricted to payment of the costs of this project. The promises to give as of December 31, 2020, are unconditional and due \$350,094 in 2021 and \$643,280 over the following three years. Promises to give that are due after 2021 are discounted at 3.0%. Uncollectible promises are expected to be insignificant.

NOTE 5. 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.

Due to the coronavirus pandemic, all mission trips scheduled to take place in 2020 were cancelled, hence, there were no donated facilities and services provided to Heart Care International, Inc. for the year ended December 31, 2020.

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 6. 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 balance of this fund at December 31, 2020 was \$88,882.

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 2020. 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 \$2,091,072 in pledges and related payments and expended \$116,198 on capital campaign fundraising costs. The balance of this fund at December 31, 2020 was \$1,974,874.

Net assets with donor restrictions as of December 31, 2020 total \$2,080,247.

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7. CONCENTRATION OF CREDIT RISK

For the year ended December 31, 2020, the Organization maintained 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 \$250,000 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, 2020. Deposits in excess of SIPC limits as of December 31, 2020 were \$324,759. As of December 31, 2020 investments of \$1,321,02 were at risk.

During 2020 all capital campaign contributions and promises to give were made by related parties.

NOTE 8. COMMITMENTS

On September 1, 2018, the Organization entered into a one year operating lease ending August 31, 2019 with Second Congregational Church in Greenwich, Connecticut. The annual rent per year was \$13,200 payable in advance on the first day of each month. The terms of the lease provided Heart Care International, Inc. with office space, maintenance, all utilities aside from communication, and use of common church facilities. For the year ended December 31, 2020 the Organization occupied the church's premises on a month to month basis.

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 still 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 a the time of each renewal.

NOTE 9. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31, 2020 available to meet general expenditures.

Cash and cash equivalents	\$ 897,686
Investments	1,821,102
Promises to give – current	350,094
Other receivables	<u>2,023</u>
Total Financial Assets	<u>3,070,905</u>
Less amounts not available to be used within one year	
Net assets with donor restrictions	<u>2,080,247</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 990,658</u>

HEART CARE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 28, 2021 the date which the financial statements were available for issue.

Heart Care International (HCI) continued on course for 2020 until the coronavirus pandemic hit in mid-March. HCI unfortunately had to suspend all travel beginning in March 2020. At that time drugs and medical supplies and travel expenses totaling \$10,263 and \$12,626 respectively, had been incurred. Certain drugs and medical supplies already in the host country of Mexico were donated for use by medical professionals and certain airfares were nonrefundable. In May 2020 HCI successfully completed the SBA PPP grant application and received \$32,969. These funds were used strictly for salaries. The funding was forgiven in full in March 2021. Most of HCI's friend and foundation fundraising comes at the end of the year. As expected, the pandemic drastically affected the Organization's fundraising. Annual giving contributions in 2020 decreased by approximately 58% when compared to annual giving in 2019. Annual giving in 2021 is following this trend. The Organization has cautiously resumed travel in August 2021. Two trips will be completed in 2021 and plans are being made for travel in 2022.

As described in Note 4, in 2018 the Organization began a five-year capital campaign which is continuing. Uncollectible amounts of the amounts pledged are expected to be insignificant.