

# **Save a Child's Heart Foundation – U.S., Inc.**

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**Financial Statements**

**Year Ended December 31, 2017**

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## **Independent Auditors' Report**

Board of Directors  
Save a Child's Heart Foundation – U.S., Inc.  
Rockville, Maryland

We have audited the accompanying financial statements of Save a Child's Heart Foundation – U.S., Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows and functional expenses 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 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 Save a Child's Heart Foundation – U.S., Inc. as of December 31, 2017, 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.

### ***Prior Period Financial Statements***

The financial statements of Save a Child's Heart Foundation – U.S., Inc. as of December 31, 2016, were audited by other auditors whose report dated August 1, 2017, expressed an unmodified opinion on those statements.

*Dixon Hughes Goodman LLP*

**Tysons, Virginia  
August 30, 2018**

**Save a Child's Heart Foundation - U.S., Inc.**  
**Statement of Financial Position**  
**December 31, 2017**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$	694,193
Investments		92,479
Contributions receivable		283,552
Prepaid expenses		630

Total current assets 1,070,854

Property and equipment, net 810

Total assets \$ 1,071,664

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$	17,766
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Net assets:

Unrestricted		743,592
Temporarily restricted		310,306

Total net assets 1,053,898

Total liabilities and net assets \$ 1,071,664

**Save a Child's Heart Foundation - U.S., Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, support and other changes:			
Contributions	\$ 2,591,093	\$ -	\$ 2,591,093
Interest and dividend income	10,028	-	10,028
Unrealized and realized gain on marketable securities	15,783	-	15,783
	<u>2,616,904</u>	<u>-</u>	<u>2,616,904</u>
Expenses:			
Program services	2,168,966	-	2,168,966
Support services:			
Management and general	163,211	-	163,211
Fundraising	316,167	-	316,167
	<u>2,648,344</u>	<u>-</u>	<u>2,648,344</u>
Change in net assets	(31,440)	-	(31,440)
Net assets, beginning of year	<u>775,032</u>	<u>310,306</u>	<u>1,085,338</u>
Net assets, end of year	<u>\$ 743,592</u>	<u>\$ 310,306</u>	<u>\$ 1,053,898</u>

**Save a Child's Heart Foundation - U.S., Inc.****Statement of Functional Expenses****Year Ended December 31, 2017**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting</u>	<u>2017 Total</u>
Grants to SACH Israel	\$ 1,800,000	\$ -	\$ -	\$ -	\$ 1,800,000
General events	110,938	-	94,503	94,503	205,441
Salaries	101,062	40,425	60,637	101,062	202,123
Consultants	79,575	-	79,575	79,575	159,150
Direct mail	-	-	34,640	34,640	34,640
Health insurance	15,723	6,289	9,434	15,723	31,447
Young leadership event expenses	13,231	-	13,231	13,231	26,462
Marketing & advertising	-	26,202	-	26,202	26,202
Travel	20,447	5,112	-	5,112	25,559
Bookkeeping/accounting	-	23,017	-	23,017	23,017
Bank charges, tax fees, credit card fees	-	19,930	-	19,930	19,930
Payroll tax	7,933	3,173	4,760	7,933	15,866
Surgery grant	15,000	-	-	-	15,000
Website, online services	-	-	13,899	13,899	13,899
Subscriptions, dues and memberships	-	13,644	-	13,644	13,644
Rent	-	11,944	-	11,944	11,944
Insurance	-	7,518	-	7,518	7,518
Printing	927	-	3,709	3,709	4,636
State registration fees	-	3,626	-	3,626	3,626
Medical publications	2,180	-	-	-	2,180
Office expense	-	2,002	-	2,002	2,002
Nurses	1,950	-	-	-	1,950
Postage	-	-	1,779	1,779	1,779
Telephone	-	260	-	260	260
Office & fundraising supplies	-	69	-	69	69
	<u>\$ 2,168,966</u>	<u>\$ 163,211</u>	<u>\$ 316,167</u>	<u>\$ 479,378</u>	<u>\$ 2,648,344</u>

See accompanying notes.

**Save a Child's Heart Foundation - U.S., Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**

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Cash flows from operating activities:	
Change in net assets:	\$ (31,440)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20
Unrealized and realized gain on marketable securities	(15,783)
Change in:	
Accounts receivable	208,552
Accounts payable	12,707
Prepaid expenses	(630)
	<hr/>
Net cash provided by operating activities	173,426
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Cash flows from investing activities:	
Purchases of marketable securities	(18,438)
Proceeds from sale of marketable securities	341,310
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Net cash provided by investing activities	322,872
	<hr/>
Net change in cash and cash equivalents	496,298
Cash and cash equivalents, beginning of year	<hr/> 197,895
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 694,193

## **Notes to Financial Statements**

### **1. Organization and Nature of Activities**

Save a Child's Heart Foundation – U.S., Inc. (the Foundation) is a not-for-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.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of presentation***

The accompanying policies of the organization are in accordance with accounting principles generally accepted in the United States of America applied on a basis consistent with that of the preceding years. The Foundation reports information regarding its financial position and activities under standards for not-for-profit organizations issued by the Financial Accounting Standards Board (FASB).

#### ***Basis of accounting***

These financial statements are prepared under the accrual basis of accounting. Under this accounting method, income is recorded as earned and expenses are recorded as incurred.

#### ***Estimates***

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 purposes of the statements of financial position and cash flows, the Foundation considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash. The Foundation maintains its cash in bank accounts that, at times, may exceed the federally insured limit. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on cash and cash equivalents.

#### ***Classification of net assets***

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – net assets that include contributions or grants for which donor-imposed stipulations have not been met. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted if the donor-imposed restrictions are satisfied within the same year in which the contribution was received. Temporarily restricted net assets was \$310,306 at December 31, 2017.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation.

#### ***Accounts receivable***

Accounts receivable approximate fair value. Contribution receivables are recorded at net realizable value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

**Save a Child's Heart Foundation – U.S., Inc.**  
**Notes to Financial Statements**

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***Property and equipment***

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donation asset to a specific purpose. The estimated lives used in determining depreciation are:

Furniture and equipment	5 years
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***Investments***

Investments are reported at fair value and contributions of marketable securities are recorded at their fair value at the date of donation. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the Statement of Activities. Dividends and interest are recognized as earned.

***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.

***Restricted and unrestricted revenue***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All 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 (that is, when a stipulated time restriction ends or 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. Temporarily restricted contributions received in the current year whose restrictions are met during the current year are classified as unrestricted support.

***Income tax status***

The Foundation is a not-for-profit organization that is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation is classified as a public charity. Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and Maryland corporate income taxes. The Foundation did not have any unrelated business income for the year ended December 31, 2017. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2017.

***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 functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Advertising***

The Foundation expenses advertising costs as they are incurred. Advertising expenses for 2017 were \$8,635.

**Save a Child's Heart Foundation – U.S., Inc.**  
**Notes to Financial Statements**

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***Subsequent events***

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through August 30, 2018, the date the financial statements were available to be issued.

**3. Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring and reporting financial assets and liabilities at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The codification establishes a three-level hierarchy which prioritizes the inputs used in measuring fair values. These tiers include:

- Level 1:** quoted prices in active markets for identical assets or liabilities as of the reporting date;
- Level 2:** quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves);
- Level 3:** uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measurements at fair value. There have been no changes in the methodologies used at December 31, 2017.

***Common stock***

Valued at the closing price reported in the active market in which individual securities are traded.

***Mutual funds***

Valued at the quoted market value of the net asset value (NAV) of shares held by the Foundation at year end. The mutual funds held by the Foundation are deemed to be actively traded.

***Unit investment trusts***

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**

The table below summarizes investments, by level, for items measured at fair value on a recurring basis at December 31, 2017:

	<b>Fair Value as of December 31, 2017</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 3,790	\$ -	\$ -	\$ 3,790
Mutual funds:				
Large blend	10,129	-	-	10,129
Large value	33,722	-	-	33,722
Bank loan	10,560	-	-	10,560
High yield bond	3,006	-	-	3,006
Short term bond	2,909	-	-	2,909
Unit investment trusts	<u>28,363</u>	<u>-</u>	<u>-</u>	<u>28,363</u>
Total investments	<u>\$ 92,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,479</u>

**4. Investments**

Investment income consisted of the following for the year ended December 31:

Investment income:	
Interest and dividends	\$ 10,028
Realized and unrealized gains	<u>15,783</u>
Total investment income	<u>\$ 25,811</u>

**5. Temporarily Restricted Net Assets**

Temporarily restricted net assets at the end of the year represent grants and contributions that have been received and designated as temporarily restricted by the grantor. As these funds are expended, the temporary restrictions expire and the temporarily restricted net assets are reclassified to unrestricted net assets on the statement of activities.

The breakdown by funds as of December 31, 2017 is as follows:

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, 2017.

**6. Commitments**

On October 1, 2017, the Foundation entered into a sublease agreement for an office for one year, ending September 30, 2018. Future minimum lease payments for 2018 totaled \$5,670.