

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

(An organization registered under the Amutot Law, 1980)

2011 ANNUAL REPORT

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The financial statements are denominated in New Israel Shekels (NIS).



REPORT OF INDEPENDENT AUDITORS

To the members of
SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

We have audited the balance sheets of Save a Child's Heart in memory of Dr. Ami Cohen (R.A.) ("the Amuta") as of December 31, 2011 and 2010 and the statements of activities and of changes in deficiency for each of the years ended on those dates. These financial statements are the responsibility of the council and management of the Amuta. 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 Israel, including those prescribed by the Auditors (Mode of Performance) Regulations, 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the council and management of the Amuta, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements, which are denominated in nominal values, present fairly, in all material respects, the financial position of the Amuta as of December 31, 2011 and 2010 and the results of its activities and the changes in its deficiency for each of the years ended on those dates, in conformity with accounting principles generally accepted in Israel.

Without qualifying our above opinion, we draw attention to the disclosure in note 1h to the financial statements on restatement of the 2009 and 2010 financial statements in order to retrospectively reflect the impact of a revision in the accounting for the use of designated contributions – with which we concur.

Tel-Aviv, Israel
July 9, 2012

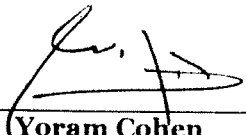
Kesselman & Kesselman

Certified Public Accountants (Isr.)

A member firm of PricewaterhouseCoopers International Limited

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
BALANCE SHEETS

	Note	December 31	
		2011	2010
		NIS	
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	1g	5,159,876	**5,547,367
Marketable securities	7 b	452	1,279,583
Accounts receivable		19,930	
Total current assets		5,180,258	6,826,950
FIXED ASSETS:			
Cost	2, 8	12,115,186	4,582,210
Less – accumulated depreciation		914,522	746,963
		11,200,664	3,835,247
Restricted cash for construction		198,828	**1,826,043
		16,579,750	12,488,240
Liabilities, net of deficiency			
CURRENT LIABILITIES:			
Accounts payable and accruals:			
Wolfson Medical Center - Research Fund (current account)		139,388	67,865
Other		459,365	252,886
Total current liabilities		598,753	320,751
LONG-TERM LIABILITIES:			
Liability for employee rights upon retirement	3	310,767	201,932
Total liabilities		909,520	522,683
NET ASSETS:			
UNRESTRICTED NET ASSETS		13,378,600	*7,559,116
TEMPORARILY-RESTRICTED NET ASSETS	7	2,291,630	*4,406,441
		15,670,230	11,965,557
		16,579,750	12,448,240



Yoram Cohen
 Chairman
 of Council



**Joseph Haim
 Harrosh**
 Treasurer and
 Member of Council



Simon Fisher
 Executive
 Director

* Restated
 **Reclassified

Date of approval of financial statements: July 9th, 2012.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
STATEMENTS OF ACTIVITIES AND OF CHANGES IN DEFICIENCY

	<u>Note</u>	Year ended December 31	
		2011	2010
		NIS	
OPERATIONS:			
Revenues from donations		11,219,036	*12,241,208
Amounts released from restrictions	7	613,000	*
		11,832,036	12,241,208
COST OF OPERATIONS -			
operating expenses	4, 9	10,072,883	9,650,762
NET REVENUES FROM OPERATIONS			
		1,759,153	*2,590,446
GENERAL AND ADMINISTRATIVE EXPENSES			
	5	1,181,002	1,034,872
PUBLICITY AND PUBLIC RELATIONS			
	6	751,774	459,713
REVENUES (EXPENSES) BEFORE FINANCING REVENUES, net			
		(173,623)	*1,095,861
FINANCING REVENUES (EXPENSES)			
		(19,441)	239,686
NET REVENUES FOR YEAR			
		(193,064)	1,335,347

* Restated

The accompanying notes are an integral part of the financial statements.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
STATEMENTS OF CHANGES IN NET ASSETS

	Unrestricted net assets	Temporarily- restricted net assets (note 7)	Total
	NIS		
BALANCE AS OF JANUARY 1, 2010	*4,331,825	*3,463,879	*7,795,704
MOVEMENT IN 2010:			
Financing		170,355	170,355
Contributions received for establishment of new children's wing in Wolfson Medical Center		1,774,500	1,774,500
Contributions received for establishment of new residence		889,450	889,450
Amounts released from restrictions for establishment of new residence	1,891,743	(1,891,743)	-,-
Surplus for year	*1,335,548		*1,335,548
BALANCE AS OF DECEMBER 31, 2010	*7,559,116	*4,406,441	11,965,557
MOVEMENT IN 2011:			
Financing		7,600	7,600
Amounts released from restrictions for Establishment of new children's wing in Wolfson Medical Center		(613,000)	(613,000)
Contributions received for establishment of new children's wing in Wolfson Medical Center		756,600	756,600
Contributions received for establishment of new residence		3,746,537	3,746,537
Amounts released from restrictions for Establishment of new residence	6,012,548	(6,012,548)	-,-
Deficit for year	(193,064)		(193,064)
BALANCE AS OF DECEMBER 31, 2011	<u>13,378,600</u>	<u>2,291,630</u>	<u>15,670,230</u>

* Restated

The accompanying notes are an integral part of the financial statements.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, applied in the preparation of the financial statements on a consistent basis, are as follows:

a. General

Save A Child's Heart in memory of Dr. Ami Cohen (R.A.) ("the Amuta") was registered under the Amutot Law, 1980, on August 18, 1998. The Amuta commenced operations on April 1, 1999. The Amuta operates at the Wolfson Medical Center in Holon and organizes emergency heart operations and post-operative care for children from third world countries and developing countries.

The Amuta operates a hostel in Azor, leased and renovated in 2001, which serves as a recuperation center for children before and after surgery and which also houses doctors and nurses participating in the training programs of the Amuta. The hostel is not capable of housing more than 24 children, 3 international volunteers and 2 doctors from the training program at any given time, and is not meeting the requirements and activities of the Amuta. Therefore the board of directors and the general assembly of the Amuta have approved the construction of a new residence in Holon which will be built according to the needs of the Amuta, and will provide the Amuta with the extra space required in order to enable the Amuta's activities and provide the Amuta with the option of expanding its activities in the future (see also notes 7, 8 and 10).

The Amuta has been certified by the Income Tax Authority as a Public Institution for donation purposes in accordance with the provisions of Section 46, Income Tax Ordinance.

The Amuta also sends medical delegations to developing countries. The medical personnel sent abroad may be involved in the setting-up of clinics for pre-surgery examination and the provision of continuing post-operative care, or they may be involved in the diagnosis of children, the performing of operations and the training of local medical staff.

In participating in these overseas delegations, the medical staff of the Amuta volunteer their services and receive no recompensation from the Amuta for their charitable endeavors overseas.

In 2011, the Amuta helped 259 children from developing countries. In addition, 566 children from developing countries were examined by the Amuta, out of this number, 326 children from the Palestinian authority were examined during the weekly cardiology clinic of the Amuta.

In 2011, the Amuta organized three medical delegations, as follows:

- 1) **Medical delegation for the diagnosis of children in Angola** - In November 2011, a delegation of two medical personnel was sent by the Amuta to Angola for three days for the purpose of examining and diagnosing 90 children suffering from heart disease in order to bring them to Israel later in the year for heart surgery at the Wolfson Medical Center.
- 2) **Medical delegation as a pilot for a surgery mission in Tanzania** - In May 2011, a delegation of four medical personnel was sent by the Amuta to the Bugando Medical Center in Mwanza, Tanzania for one week for the purpose of examining the conditions to facilitate a teaching and surgery mission in the summer in order to treat on-site children suffering from heart disease.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

- 3) **Medical delegation for the treatment and diagnosis of children in Tanzania -**
In August 2011, a delegation of 15 medical personnel was sent by the Amuta to the Bugando Medical Center in Mwanza, Tanzania for one week for the purpose of performing heart surgery on 12 children and examining and diagnosing 150 children suffering from heart disease in order to bring them to Israel later in the year for heart surgery at the Wolfson Medical Center.

b. Format of presentation of financial statements

The financial statements are drawn up in the format prescribed by Opinion No. 69 of the Institute of Certified Public Accountants in Israel (published in March 1997), insofar as the Opinion relates to accounting and financial reporting principles with respect to not-for-profit organizations, and by Accounting Standard No. 5 of the Israel Accounting Standards Board (published in December 1999). In parallel with standard business practice, these pronouncements require the adoption of the comprehensive approach whereby, essentially, all assets, liabilities and net assets must be included in a single balance sheet. Restrictions imposed on the use of funds obtained from the various sources, or the absence of such restrictions, are only reflected in the distinction made between different groups of net assets.

In accordance with this approach, all changes in unrestricted net assets (revenues, expenses and amounts ceasing to be restricted and transferred from restricted net assets to activities) are to be presented in a statement of operations.

c. Statements of cash flows

A statement of cash flows has not been provided with these financial statements since such a statement would not have provided any significant further information to that otherwise available in the financial statements themselves.

d. Recognition of revenues and expenses

The expenses of the Amuta are recorded on the accruals basis. A cautious approach is adopted with respect to the recording of income from donations, this being recorded on a cash basis at the time that the funds are actually received. As a result of this policy, occasional instances arise of donations and allocations being received with respect to specific current operations that are to be implemented only in the year following the reported period.

e. Effect of changes in the general purchasing power of the Israel currency

The financial statements are prepared on the basis of the historical cost convention in nominal values, without consideration being given to the effect of changes in the general purchasing power of the Israel currency on the results of operations. The disclosure of information relating to the effect of these changes, insofar as permitted by Opinion No. 69 in relation to not-for-profit organizations with a low level of turnover, is not provided in these financial statements.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed assets:

- 1) Fixed assets are presented at cost.
- 2) Fixed assets are depreciated by means of the straight-line method on the basis of the estimated useful lives thereof.

The annual rates of depreciation are as follows:

	<u>%</u>
Medical equipment	15
Computers and peripheral equipment	33
Furniture and office equipment	10,15

Improvements to leasehold premises are amortized by means of the straight-line method on the basis of the shorter of the period of the lease and the estimated life of the improvements.

g. Cash equivalents

Highly-liquid investments (including short-term bank deposits bearing maturity dates within three months of the date of deposit) which carry no restrictions as to withdrawal or use, are considered by the Amuta to be cash equivalents.

The balance of cash and cash equivalents as of December 31, 2011 includes NIS 557 thousand in foreign currency (December 31, 2010 – NIS 2,156 thousand in foreign currency). The balance of cash and cash equivalents as of December 31, 2011 includes NIS 2 million that was designated by donors for building the Pediatric Intensive Care Unit at the Wolfson Medical Center.

h. Restatement

The 2009 and 2010 financial statements were restated to retrospectively reflect the impact of a revision in accounting for Contributions designated for the establishment of the new residence. Those amounts are no longer presented as released from restriction in the statement of operations, but as amounts released from restricted net assets and classified as an increase in unrestricted net assets. The revision does not change total net assets. The restatement amounted to NIS 1,329,493 and NIS 1,891,743 in 2009 and 2010, respectively. In addition, \$500,000 (NIS 1,744,500) was restated in relation to an undesignated contribution received in 2010, which was previously presented as income from designated contribution in the statement of changes in net assets, and is presented in these financial statements as income from undesignated Contribution in the statements of activities and of changes in deficiency.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 2 - FIXED ASSETS

The composition of fixed assets and the related accumulated depreciation, by principal category, are as follows:

	Cost		Accumulated depreciation	
	December 31			
	2011	2010	2011	2010
	NIS			
Land Leased	1,106,466	1,106,466		
Building in construction	9,524,288	2,114,670		
Computers and peripheral Equipment	142,168	142,170	140,219	136,860
Vehicles	124,000		12,556	
Furniture and office equipment	97,814	98,456	80,355	75,852
Medical equipment	988,434	988,434	534,624	387,483
Improvements to leasehold Premises	132,016	132,014	146,768	146,768
	12,115,186	4,582,210	914,522	746,963

NOTE 3 - EMPLOYEE RIGHTS UPON RETIREMENT

Existing labor laws and agreements require the Amuta to make severance payments to employees who are dismissed or who retire from their employment in certain other circumstances.

The severance pay liability of the Amuta is computed on the basis of the number of years of service and reflects those salary components, which, in the view of management, entitle employees to severance pay. The greater part of the liability is covered by the purchase of insurance policies.

The severance pay liability reflected in the balance sheets represents that part of the liability not covered by the above-mentioned insurance policies.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - OPERATING EXPENSES:

	Year ended December 31	
	2011	2010
	NIS	
Medical expenses	6,127,147	5,122,547
Purchase of equipment for Wolfson Medical Center	1,147,834	2,139,099
Payroll and ancillary expenses	640,282	533,971
Air travel expenses of patients and medical teams	764,776	306,794
Rent, local property taxes and electricity	140,535	150,324
Training of doctors	592,403	773,545
Food for patients	144,333	151,575
Transportation of patients	124,721	133,402
Student activities	66,297	60,799
Depreciation	155,646	139,094
Survey and research expenses	108,794	92,737
Miscellaneous	60,115	46,875
	<u>10,072,883</u>	<u>9,650,762</u>

NOTE 5 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31	
	2011	2010
	NIS	
Payroll and ancillary expenses	776,648	619,085
Rent and telephone	86,738	91,016
Motor expenses	73,998	82,878
Travelling expenses and refreshments	62,357	92,996
Office supplies and printing	31,922	30,665
Legal and auditing fees	70,647	15,131
Bookkeeping	37,111	50,236
Depreciation	12,556	34,773
Miscellaneous	29,025	18,092
	<u>1,181,002</u>	<u>1,034,872</u>

NOTE 6 - PUBLICITY:

	Year ended December 31	
	2011	2010
	NIS	
Publicity and public relations	63,611	72,446
Payroll and ancillary expenses	394,599	222,082
Website	19,996	30,219
Exhibition of the European Union	32,596	
Marketing Campaign	179,162	15,663
International convention	61,810	119,303
	<u>751,774</u>	<u>459,713</u>

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - TEMPORARILY-RESTRICTED NET ASSETS:

- a. In September 2008, a donation of 1,750,000 Israeli Shekels (500,000 US Dollars) was received by the fund in memory of Ami Cohen through the transfer of a portfolio of American securities managed by the donors (via the American portfolio management company - **Morgan Stanley Smith Barney, LLC**). According to the grant conditions, the money and its profit can be used for the establishment of a residence for children in memory of Ami Cohen. The grant was included in the statements of changes in net assets in 2008 as an addition to temporarily restricted net assets.

In 2010 the Amuta sold securities at the value of the 250 thousand US Dollars (909 thousand Israeli Shekels). The money was transferred to a US Dollar account restricted for the new residence.

In 2011 the Amuta sold securities at the value of the 343 thousand US Dollars (1,218 thousand Israeli Shekels). The money was also transferred to the above mentioned account, and was used for the establishment of the residence.

The value of the portfolio of American securities as of December 31, 2011 stood at 452 Israeli Shekels (118 US Dollars).

Moreover, a **SACH US's** portfolio of American securities was sold (via the above mentioned American portfolio management company) in 2011 in an amount of 373 thousands Israeli Shekels; This amount was received as a contribution designated for the establishment of the residence, and all the amount was released and used entirely for that purpose throughout 2011.

- b. In 2009, an anonymous fund allocated US\$1,000 thousand towards building a new residence for children in Holon. Under the terms of this grant, the amounts will be provided according to progress made on this project. In 2009, US\$150 thousand of the allocation was provided.

The grant is included in the statement of changes in net assets in 2009 as an addition to temporarily restricted assets.

In 2010, the Society utilized this allocation (of US\$150 thousand) for building the residence. This was also reflected in the statement of changes in net assets.

In 2011, additional US\$700 thousand of the total allocation (\$1,000 thousand) was provided, which was fully used for building the new residence.

- c. In 2009, 2010 and 2011, three grants of C\$250 thousand each were received from **SACH Canada** under an agreement promising the Society C\$1 million in four equal annual installments until 2012. Under the terms of the grant, the amount and any related yield can be used for building and maintaining the new residence for children. The grants and the use of funds to construct the Amuta's building in Holon are included in the statement of change in net asset as a change in temporarily restricted assets.
- d. In 2010, a \$1 million grant was received from **SACH US**. Under the terms of the grant, half of this amount and any yield can be used to build the Pediatric Intensive Care Unit at the Wolfson Medical Center. Accordingly, half of the amount of grant was included in the statement of change in net asset as an addition to temporarily restricted assets.

SAVE A CHILD'S HEART IN MEMORY OF DR. AMI COHEN (R.A.)

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 7 - TEMPORARILY-RESTRICTED NET ASSETS (continued):

In 2011, a \$200 thousand grant was received from **SACH US**. Under the terms of the grant, this amount and any related yield can be used to build the Pediatric Intensive Care Unit at the Wolfson Medical Center. In 2011, NIS 613,000 was released for this purpose.

The grant is included in the statement of change in net assets as an addition to temporarily restricted assets.

NOTE 8 - LAND IN LEASE

On August 30, 2010, the Amuta signed an agreement for the lease of a plot of land from the Municipality of Holon in order to establish a residence for children suffering from heart diseases in different countries. According to the agreement, the lease is for 25 years including two extension options for up to ten years each.

NOTE 9 - PURCHASE OF EQUIPMENT PROMOTING THE WOLFSON MEDICAL CENTER

As part of the Amuta's objective to promote medical institutions, particularly the Wolfson Medical Center where the majority of the Amuta's activities take place, in 2009/10 the Amuta commenced its effort to improve, expand and upgrade the cardiac facilities in the Wolfson Medical Center with the goal to establish in the Wolfson Medical Center a pediatric cardiac center. This activity includes raising funds for construction of the center mentioned above including planning and equipping the center.

In 2011 medical equipment was purchased for the use of the Pediatric Intensive Care Unit at the Wolfson Medical Center including syringe pumps, children's mattresses and pacemaker; medical equipment for the use of the Pediatric Cardiology Unit at the Wolfson Medical Center including echo examination beds; and medical equipment for the use of the Pediatric Lung Unit at the Wolfson Medical Center including a Data Archiving System for a Bronchoscope.

NOTE 10 - EVENTS FOLLOWING THE DATE OF THE FINANCIAL STATEMENTS

In February 2012, the Amuta concluded the construction of the new children's home in Holon as described in the Note 7 above and moved into the new children's home and offices.

In September 2012, this year's Israeli Presidential Award for Volunteerism will be presented to the Amuta in the President's home in Jerusalem. The award is given in recognition and gratitude to all the volunteers - the medical team, the board of directors, the volunteers at the Wolfson Medical Center and in the Children's Home and all our friends who are active in their respective communities around the world - who dedicate a significant part of their lives to Save a Child's Heart. This prestigious award, given every year by the President of the State of Israel, Shimon Peres, is aimed to recognize the work done by individuals and groups in all sectors of the population and to encourage the spirit of voluntarism in Israel's society

In 2012, the last payment of \$150,000 was provided to the Amuta by the anonymous foundation mentioned in Note 7 above, and thus the entire committed amount from the foundation was provided.