

**THE CHILDREN'S HEART FOUNDATION
DECEMBER 31, 2014 AND 2013**

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION
(With Independent Auditors' Report)**

**THE CHILDREN'S HEART FOUNDATION
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION
DECEMBER 31, 2014 AND 2013**

CONTENTS

	Page Number
FINANCIAL STATEMENTS	
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10
 ADDITIONAL INFORMATION	
Statement of Functional Expenses - 2014	11
Statement of Functional Expenses - 2013	12



The CPA. Never Underestimate The Value.™

Florian J. Kordas, CPA
Robert D. Olson, CPA
Jacen R. Maleck, CPA

Andrew J. Schwarz, CPA
Ronald J. Degner Jr., CPA

Theodore I. Weber, CPA
1989-2010

Allen R. Hochfelder, CPA
1957-2007

Ernest J. Hochfelder, CPA
1933-1984

H&W HOCHFELDER & WEBER, P.C.
Certified Public Accountants & Consultants
525 West Monroe • Suite 910 • Chicago, IL 60661-3629
Telephone: 312/715-0101 • Facsimile: 312/715-1512

*"SERVING OUR CLIENTS
SINCE 1933"*

August 28, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Children's Heart Foundation
P.O. Box 244
Lincolnshire, IL 60069

We have audited the accompanying financial statements of the Children's Heart Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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 of 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 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 Children's Heart Foundation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



HOCHFELDER & WEBER, P.C.
Certified Public Accountants
Chicago, Illinois

**THE CHILDREN'S HEART FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 462,117	\$ 530,734
Contributions Receivable	235,500	115,000
Investments	2,080	6,797
Net Fixed Assets	<u>17,484</u>	<u>14,968</u>
TOTAL ASSETS	<u>\$ 717,181</u>	<u>\$ 667,499</u>
LIABILITIES		
Accrued Expenses	<u>\$ 0</u>	<u>\$ 176,677</u>
NET ASSETS		
Unrestricted	717,181	375,822
Temporarily Restricted	<u>0</u>	<u>115,000</u>
TOTAL NET ASSETS	<u>717,181</u>	<u>490,822</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 717,181</u>	<u>\$ 667,499</u>

The accompanying notes are an integral part of these financial statements

**THE CHILDREN'S HEART FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Revenues and Other Support:		
Donations	\$ 256,093	\$ 166,431
Contributions from Affiliates	990,230	635,362
External Special Events (Note 7)	1,015,829	1,061,188
Grants	<u>200</u>	<u>945</u>
Total Support	<u>2,262,352</u>	<u>1,863,926</u>
Interest and Dividend Income	216	577
Gain (Loss) on Investments	57	4,567
Net Assets Released from Restriction	115,000	0
Other Income	<u>157,378</u>	<u>136,425</u>
Total Other Revenues	<u>272,651</u>	<u>141,569</u>
Total Support and Other Revenues	<u>2,535,003</u>	<u>2,005,495</u>
Expenses:		
Program Services	1,830,853	1,762,032
Management and General	66,808	71,642
Fundraising	<u>295,983</u>	<u>260,400</u>
Total Expenses	<u>2,193,644</u>	<u>2,094,074</u>
Net Assets Released from Restriction		
Increase (Decrease) in Unrestricted Net Assets	<u>341,359</u>	<u>(88,579)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Revenue		
Donations	<u>0</u>	<u>115,000</u>
Net Assets Released from Restriction		
Program Services	<u>(115,000)</u>	<u>0</u>
(Decrease) Increase in Temporarily Restricted Net Assets	<u>(115,000)</u>	<u>115,000</u>
INCREASE IN NET ASSETS	226,359	26,421
NET ASSETS – BEGINNING OF THE YEAR	<u>490,822</u>	<u>464,401</u>
NET ASSETS – END OF THE YEAR	<u>\$ 717,181</u>	<u>\$ 490,822</u>

The accompanying notes are an integral part of these financial statements

**THE CHILDREN'S HEART FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 226,359	\$ 26,421
Adjustments to Reconcile Changes in Net Assets To Net Cash from Operating Activities:		
Gain on Sale of Investments	(92)	0
Depreciation	5,248	3,344
(Increase) in Contributions Receivable	(120,500)	(115,000)
(Decrease) Increase in Accrued Expenses	(176,677)	76,677
Unrealized Loss on Investments	35	271
NET USED PROVIDED BY OPERATING ACTIVITIES	<u>(65,627)</u>	<u>(8,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	4,774	0
Purchase of Investments	0	(4,860)
Purchase of Equipment	<u>(7,764)</u>	<u>(10,776)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,990)</u>	<u>(15,636)</u>
DECREASE IN CASH AND EQUIVALENTS	(68,617)	(23,923)
CASH AND EQUIVALENTS - BEGINNING	<u>530,734</u>	<u>554,657</u>
CASH AND EQUIVALENTS - ENDING	<u>\$ 462,117</u>	<u>\$ 530,734</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>
Interest	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. ORGANIZATION

The Children's Heart Foundation (an Illinois not-for-profit corporation) is a national organization that supports research toward discovering the causes and improving the methods of diagnosing, treating and preventing congenital heart defects. The Foundation began operations in 1996 and has funded 62 research projects, totaling \$6 million to date. Each year the Foundation hosts multiple fundraisers in the Chicagoland area. They are also the beneficiaries of numerous events held throughout the country.

The Foundation has twelve local chapters. The chapters are located in Florida, Oregon, Ohio, Iowa, Indiana, Arizona, Pennsylvania, Illinois, Missouri, Colorado, Virginia and New York. These chapters are run autonomously by board members elected at their respective local levels.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting.

B. Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in the financial statements.

The Foundation files income tax returns in the U.S. federal jurisdiction. The Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2010.

C. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

D. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value Measurements: ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Organizations are required to disclose fair value of certain assets and liabilities according to a fair value hierarchy. This hierarchy ranks the quality and reliability of the inputs used to determine fair values, which are then classified and disclosed in one of three categories. The three levels of the fair value hierarchy are:

- Level 1 – quoted prices in active markets for identical assets or liabilities.
- Level 2 – quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active; and model-derived valuations whose inputs are observable. The Foundation did not have any investments in Level 2 at December 31, 2014.

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Level 3 – Model-derived valuations with unobservable inputs that are supported by little or no market activity. The Foundation did not have any investments in Level 3 at December 31, 2014.

The following is a description of the methodologies used in valuing investments at fair value as of December 31, 2014.

Investments: Investments in securities are recorded at current values, which are based upon published market prices. The change in the difference between current value and the cost of investments, if any, is reflected in the statement of activities as gain or loss on investments.

E. Property and Equipment

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty years. Depreciation expense was \$5,248 and \$3,344, respectively, for the years ended December 31, 2014 and 2013.

F. Concentration of Credit Risk

The Foundation maintains its cash balances at two high credit quality financial institutions located in Illinois. At December 31, 2014, the cash balance is \$864,154 in excess of the Federal Deposit Insurance Corporation limits. The Foundation has not experienced, nor does it expect to experience, any losses in such accounts.

G. Contributions

Contributions and promises to contribute are recognized as income when received or when they become unconditional promises to give. Contributions receivable are all due in less than one year.

H. Reclassifications

Certain reclassifications have been made to conform the 2013 financial statements to the 2014 presentation.

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

3. DONATED SERVICES

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The Foundation received donated audit services in 2014 and 2013 of \$1,500 which meet the criteria under SFAS 116, and are therefore recognized in the statement of activities.

4. GRANTS

During 2014, the Foundation approved eleven research grants totaling \$935,427 to fund studies on congenital heart defects. The grants for 2014 were as follows: \$91,049 to Robert Levy, MD from Children's Hospital Philadelphia, \$100,000 to Caroline Burns, MD from Massachusetts General Hospital, \$69,686 to Lisa Paquette, MD from Children's Hospital of Los Angeles, \$100,000 to Steven Colan, MD from Children's Hospital Boston, \$100,000 to Arash Kheradvar, MD from University of California-Irvine, \$100,000 to Dr. Brad Marino from Lurie Children's Hospital, \$100,000 to Mark Rodefeld, MD from Indiana University School of Medicine, \$99,769 to Lisa Martin, PhD, and Woodrow Benson, MD from Cincinnati Children's Hospital Medical Center, \$99,923 to Karl Welke, MD from Children's Hospital of Illinois, \$25,000 to Eva Sevick, MD from The Brown Foundation Institute of Molecular Medicine and \$50,000 to Dr. Christopher Brever from Nationwide Children's Hospital.

During 2013, the Foundation approved nine research grants totaling \$806,401 to fund studies on congenital heart defects. The grants for 2013 were as follows: \$100,000 to Dr. Conrad Epting from Lurie Children's Hospital, \$100,000 to Dr. Douglas Cowan from Children's Hospital Boston, \$76,677 to Dr. Andrew Glatz from Children's Hospital of Philadelphia, \$71,000 to Christopher Caldarone, MD from Sick Kid's Hospital Toronto, \$91,049 to Robert Levy, MD from Children's Hospital Philadelphia, \$100,000 to Caroline Burns, MD from Massachusetts General Hospital, \$68,635 to Lisa Paquette, MD from Children's Hospital of Los Angeles, \$99,040 to Steven Colan, MD from Children's Hospital Boston and \$100,000 to Arash Kheradvar, MD from University of California-Irvine.

5. RESTRICTIONS ON NET ASSETS

From time to time, the Foundation receives contributions that are designated by the donor with restrictions as to use. It is the Foundation's policy to disclose the nature of the restriction in net assets. Restrictions that are met in the same reporting period are classified as unrestricted net assets.

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Kirk Urso Memorial Fund - ARVD Research	\$ 0	\$ 50,000
Lauren Elise Memorial Foundation - Dr. Epting Research	<u>0</u>	<u>65,000</u>
Ending Temporarily Restricted Net Assets	<u>\$ 0</u>	<u>\$ 115,000</u>

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

6. RELATED PARTY TRANSACTIONS

The Foundation has thirteen chapters in Arizona, Colorado, Florida, Georgia, Illinois, Iowa, Michigan, Missouri, New York, Ohio, Oregon, Pennsylvania and Texas. Related party transactions between the national chapter and the other chapters are as follows:

	<u>2014</u>	<u>2013</u>
Contributions to the CHF National Organization by:		
The Arizona Chapter	\$ 17,878	\$ 11,932
The Colorado Chapter	2,315	8,798
The Florida Chapter	28,897	14,116
The Georgia Chapter	2,176	550
The Illinois Chapter	494,765	316,473
The Michigan Chapter	22,965	16,087
The Missouri Chapter	113,683	42,145
The New York Chapter	35,596	35,263
The Ohio Chapter	43,779	11,618
The Oregon Chapter	16,550	38,090
The Pennsylvania Chapter	106,943	111,542
The Texas Chapter	53,037	1,305
CHF Developing Chapters	<u>51,646</u>	<u>27,443</u>
Total Contributions from Affiliates	<u>\$ 990,230</u>	<u>\$ 635,362</u>

7. EXTERNAL SPECIAL EVENTS

The Foundation is the beneficiary of several fundraising events throughout the country. The net income from these special events is as follows:

	<u>2014</u>	<u>2013</u>
ACHA/CHF Walk	\$ 560,980	\$ 542,231
Alpine Children's Charity	40,000	40,000
Bovis Golf Outing	168,185	200,735
Team CHF Athletics	9,645	16,026
Arizona Golf Outing	2,948	0
Build-a-Bear Campaign	0	165,465
Miscellaneous Outside Fundraisers	<u>234,071</u>	<u>96,731</u>
Total	<u>\$ 1,015,829</u>	<u>\$ 1,061,188</u>

**THE CHILDREN'S HEART FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

7. EXTERNAL SPECIAL EVENTS (Continued)

The ACHA/CHF Walk is an event the Foundation holds in conjunction with Adult Congenital Heart Association and various CHF Chapters. The total proceeds raised by this event in 2014 amounted to \$1,121,960, of which the Foundation received half. Included in the \$560,980 raised from the ACHA/CHF Walk during 2014 are the following amounts raised by individual chapters: \$72,349 from the Ohio Chapter, \$15,369 from the Colorado Chapter, \$38,950 from the Arizona Chapter, \$103,491 from the Pennsylvania Chapter, \$29,547 from the Georgia Chapter, \$31,672 from the Missouri Chapter, \$31,854 from the Florida Chapter, \$75,188 from the New York Chapter, \$16,789 from the Illinois Chapter, \$51,363 from the Michigan Chapter, \$47,509 from the Texas Chapter. The remaining \$46,899 was raised from walks held by non-chapter affiliates.

8. SUBSEQUENT EVENTS

The Foundation did not have any subsequent events through August 28, 2015, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2014.

ADDITIONAL INFORMATION

**THE CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Research Funding	\$ 935,427	\$ 0	\$ 0	\$ 935,427
Public Education and Advocacy	120,073	0	29,385	149,458
Salaries, Taxes and Benefits	313,011	15,263	53,441	381,715
Insurance	2,432	11,102	415	13,949
Office Supplies and Postage	4,568	13,272	6,203	24,043
Professional Fees	0	8,050	0	8,050
Printing	0	1,173	959	2,132
Travel	71,366	3,133	10,964	85,463
Rent and Utilities	15,744	768	2,688	19,200
Marketing	53,378	2,174	10,412	65,964
Fundraising	310,854	300	178,703	489,857
Meetings and Conferences	4,000	5,490	2,813	12,303
Depreciation	0	5,248	0	5,248
Miscellaneous	<u>0</u>	<u>835</u>	<u>0</u>	<u>835</u>
Total	<u>\$ 1,830,853</u>	<u>\$ 66,808</u>	<u>\$ 295,983</u>	<u>\$ 2,193,644</u>

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

**THE CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Research Funding	\$ 806,401	\$ 0	\$ 0	\$ 806,401
Public Education and Advocacy	205,470	0	59,666	265,136
Salaries, Taxes and Benefits	246,328	25,592	47,986	319,906
Insurance	1,124	6,158	219	7,501
Office Supplies and Postage	4,478	12,188	6,278	22,944
Professional Fees	0	8,580	0	8,580
Printing	0	1,766	1,435	3,201
Travel	58,373	5,371	10,070	73,814
Rent and Utilities	14,784	1,536	2,880	19,200
Marketing	43,160	3,476	9,364	56,000
Fundraising	366,015	600	120,365	486,980
Meetings and Conferences	15,899	2,136	2,137	20,172
Depreciation	0	3,344	0	3,344
Miscellaneous	<u>0</u>	<u>895</u>	<u>0</u>	<u>895</u>
Total	<u>\$ 1,762,032</u>	<u>\$ 71,642</u>	<u>\$ 260,400</u>	<u>\$ 2,094,074</u>

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