

**THE CHILDREN'S HEART FOUNDATION  
DECEMBER 31, 2013 AND 2012**

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

**THE CHILDREN'S HEART FOUNDATION  
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION  
DECEMBER 31, 2013 AND 2012**

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The CPA. Never Underestimate The Value.<sup>SM</sup>

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*"SERVING OUR CLIENTS  
SINCE 1933"*

August 12, 2014

## **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, 2013 and 2012, 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, 2013 and 2012, 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.

A handwritten signature in cursive script that reads "Hochfelder & Weber P.C.".

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

**THE CHILDREN'S HEART FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Cash	\$ 530,734	\$ 554,657
Contributions Receivable	115,000	0
Investments	6,797	2,208
Net Fixed Assets	<u>14,968</u>	<u>7,536</u>
<b>TOTAL ASSETS</b>	<u>\$ 667,499</u>	<u>\$ 564,401</u>
<b>LIABILITIES</b>		
Accrued Expenses	<u>\$ 176,677</u>	<u>\$ 100,000</u>
<b>NET ASSETS</b>		
Unrestricted	375,822	464,401
Temporarily Restricted	<u>115,000</u>	<u>0</u>
<b>TOTAL NET ASSETS</b>	<u>490,822</u>	<u>464,401</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 667,499</u>	<u>\$ 564,401</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>UNRESTRICTED NET ASSETS</b>		
Revenues and Other Support:		
Donations	\$ 166,431	\$ 161,871
Contributions from Affiliates	635,362	640,642
External Special Events (Note 7)	1,061,188	912,402
Grants	<u>945</u>	<u>64,795</u>
Total Support	<u>1,863,926</u>	<u>1,779,710</u>
 Interest and Dividend Income	 577	 1,065
Gain (Loss) on Investments	4,567	(143)
Other Income	<u>136,425</u>	<u>111,926</u>
Total Other Revenues	<u>141,569</u>	<u>112,848</u>
Total Support and Other Revenues	<u>2,005,495</u>	<u>1,892,558</u>
 Expenses:		
Program Services	1,762,032	1,287,538
Management and General	71,642	67,552
Fund Raising	<u>260,400</u>	<u>286,326</u>
Total Expenses	<u>2,094,074</u>	<u>1,641,416</u>
 (Decrease) Increase in Unrestricted Net Assets	 <u>(88,579)</u>	 <u>251,142</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenue		
Donations	<u>115,000</u>	<u>0</u>
 Increase in Temporarily Restricted Net Assets	 <u>115,000</u>	 <u>0</u>
<b>INCREASE IN NET ASSETS</b>	<b>26,421</b>	<b>251,142</b>
 <b>NET ASSETS – BEGINNING OF THE YEAR</b>	 <u>464,401</u>	 <u>213,259</u>
 <b>NET ASSETS – END OF THE YEAR</b>	 <u><u>\$ 490,822</u></u>	 <u><u>\$ 464,401</u></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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 26,421	\$ 251,142
Adjustments to Reconcile Changes in Net Assets To Net Cash from Operating Activities:		
Depreciation	3,344	1,090
(Increase) in Contributions Receivable	(115,000)	0
Increase (Decrease) in Accrued Expenses	76,677	(100,000)
Unrealized Loss on Investments	<u>271</u>	<u>146</u>
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	(8,287)	152,378
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(4,860)	(2,354)
Purchase of Equipment	<u>(10,776)</u>	<u>(8,626)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(15,636)</u>	<u>(10,980)</u>
<b>(DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	(23,923)	141,398
<b>CASH AND EQUIVALENTS - BEGINNING</b>	<u>554,657</u>	<u>413,259</u>
<b>CASH AND EQUIVALENTS - ENDING</b>	<u>\$ 530,734</u>	<u>\$ 554,657</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
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, 2013 AND 2012**

**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, 2013.

**THE CHILDREN'S HEART FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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, 2013.

The following is a description of the methodologies used in valuing investments at fair value as of December 31, 2013.

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 \$3,344 and \$1,090, respectively, for the years ended December 31, 2013 and 2012.

**F. Concentration of Credit Risk**

The Foundation maintains its cash balances at two high credit quality financial institutions located in Illinois. At December 31, 2013, the cash balance is \$696,991 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 2012 financial statements to the 2013 presentation.

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**3. DONATED SERVICES**

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fund raising and special projects. The Foundation received donated audit services in 2013 and 2012 of \$1,500 which meet the criteria under SFAS 116, and are therefore recognized in the statement of activities.

**4. GRANTS**

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.

During 2012 the Foundation approved six research grants totaling \$572,719 to fund studies on congenital heart defects. The grants for 2012 were as follows: \$100,000 to Daniel Bernstein, MD from Stanford Medical Center, \$100,000 to Jeffrey Jacobs, MD from the Society of Thoracic Surgeons with the Congenital Heart Surgeon's Database, \$100,000 to Brian W. McCrindle, MD, MPH from the Hospital for Sick Children – Toronto, \$72,719 to Andrew C. Glaz, MD from The Children's Hospital of Philadelphia, \$100,000 to Douglas Cowen BSc, MSc, PhD from Children's Hospital Boston, and \$100,000 to Conrad Epting, MD from Northwestern University.

**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>2013</u>	<u>2012</u>
Beginning Temporarily Restricted Net Assets	\$ 0	\$ 0
Lauren Elise Memorial Foundation -		
Dr. Epting Research	65,000	0
Kirk Urso Memorial Fund -		
ARVD Research	<u>50,000</u>	<u>0</u>
Ending Temporarily Restricted Net Assets	<u>\$ 115,000</u>	<u>\$ 0</u>

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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>2013</u>	<u>2012</u>
Contributions to the CHF National Organization by:		
The Arizona Chapter	\$ 11,932	\$ 7,693
The Colorado Chapter	8,798	175
The Florida Chapter	14,116	63,850
The Georgia Chapter	550	0
The Illinois Chapter	316,473	345,827
The Iowa Chapter	0	24
The Michigan Chapter	16,087	250
The Missouri Chapter	42,145	24,491
The New York Chapter	35,263	15,857
The Ohio Chapter	11,618	19,584
The Oregon Chapter	38,090	52,000
The Pennsylvania Chapter	111,542	104,479
The Texas Chapter	1,305	0
CHF Developing Chapters	27,443	6,412
Total Contributions from Affiliates	<u>\$ 635,362</u>	<u>\$ 640,642</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>2013</u>	<u>2012</u>
ACHA/CHF Walk	\$ 542,231	\$ 397,410
Alpine Children's Charity	40,000	45,000
Bovis Golf Outing	200,735	178,469
DC Ranch Golf Outing	0	1,000
Team CHF Athletics	16,026	16,392
Arizona Golf Outing	0	5,770
Build-a-Bear Campaign	165,465	179,526
Miscellaneous Outside Fundraisers	96,731	88,835
Total	<u>\$ 1,061,188</u>	<u>\$ 912,402</u>

**THE CHILDREN'S HEART FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 2013 amounted to \$1,084,462, of which the Foundation received half. Included in the \$542,231 raised from the ACHA/CHF Walk during 2013 are the following amounts raised by individual chapters: \$93,213 from the Ohio Chapter, \$14,501 from the Colorado Chapter, \$43,140 from the Arizona Chapter, \$108,690 from the Pennsylvania Chapter, \$4,615 from the Virginia Chapter, \$35,003 from the Missouri Chapter, \$27,173 from the Florida Chapter, \$56,510 from the New York Chapter, \$17,659 from the Illinois Chapter, \$54,340 from the Michigan Chapter, \$8,959 from the Oregon Chapter, \$47,419 from the Texas Chapter. The remaining \$31,009 was raised from walks held by non-chapter affiliates.

**8. SUBSEQUENT EVENTS**

The Foundation did not have any subsequent events through August 12, 2014, 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, 2013.

## **ADDITIONAL INFORMATION**

**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>Fund Raising</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
Fund Raising	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.

**THE CHILDREN'S HEART FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Research Funding	\$ 572,719	\$ 0	\$ 0	\$ 572,719
Public Education and Advocacy	208,335	1,450	58,810	268,595
Salaries, Taxes and Benefits	211,235	23,801	62,480	297,516
Insurance	1,900	5,540	563	8,003
Office Supplies and Postage	7,672	8,707	8,168	24,547
Professional Fees	27,867	12,275	8,243	48,385
Printing	0	1,735	1,420	3,155
Travel	44,235	4,334	11,378	59,947
Rent and Utilities	13,632	1,536	4,032	19,200
Marketing	32,777	3,196	9,451	45,424
Fund Raising	159,027	600	120,254	279,881
Meetings and Conferences	8,139	2,453	1,527	12,119
Depreciation	0	1,090	0	1,090
Miscellaneous	<u>0</u>	<u>835</u>	<u>0</u>	<u>835</u>
Total	<u>\$ 1,287,538</u>	<u>\$ 67,552</u>	<u>\$ 286,326</u>	<u>\$ 1,641,416</u>

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