

SAVING TINY HEARTS SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2016

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	3-4
FINANCIAL STATEMENTS – MODIFIED CASH BASIS	
Statements of Assets, Liabilities and Net Assets	5
Statements of Revenues, Expenses and Other Changes in Net Assets	6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Notes to Financial Statements.....	10-13



INDEPENDENT AUDITORS' REPORT

Board of Directors
Saving Tiny Hearts Society
Itasca, Illinois

We have audited the accompanying financial statements of SAVING TINY HEARTS SOCIETY (an Illinois not-for-profit organization), which comprise the statements of assets, liabilities and net assets as of December 31, 2016 and 2015, and the related statements of revenues, expenses and other changes in net assets, functional expenses, and cash flows for the years then ended, all on the modified cash basis, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audits. We conducted our audits 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 assets, liabilities and net assets of SAVING TINY HEARTS SOCIETY as of December 31, 2016 and 2015, and its revenues, expenses and other changes in net assets, and its cash flows for the years then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Woady + Davis LLP". The signature is written in dark ink and is positioned to the right of the main text.

August 24, 2017

SAVING TINY HEARTS SOCIETY

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS

Modified Cash Basis

As of December 31

2016

2015

ASSETS

CURRENT ASSETS

Cash	\$ 726,064	\$ 407,598
Prepaid Expenses	5,000	—
Total Current Assets	<u>731,064</u>	<u>407,598</u>

INTANGIBLES

Trademark	1,950	1,950
Less: Accumulated Amortization	<u>1,089</u>	<u>699</u>
	861	1,251

	\$ 731,925	\$ 408,849
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LIABILITIES AND NET ASSETS

LIABILITIES	\$ —	\$ —
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NET ASSETS

Unrestricted	<u>731,925</u>	<u>408,849</u>
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	\$ 731,925	\$ 408,849
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SAVING TINY HEARTS SOCIETY

STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS

Modified Cash Basis

For the Years Ended December 31

2016

2015

REVENUES

Contributions	\$ 137,423	\$ 136,432
Donated Services	1,500	10,248
Special Event Revenue		
Gross Event Revenues	488,508	459,562
Less: Direct Expenses	(175,302)	(169,769)
Net Special Events	<u>313,206</u>	<u>289,793</u>

Realized Gains on Stock Sale	—	1,178
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Total Revenues	<u>452,129</u>	<u>437,651</u>
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Expenses

Program Activities	101,085	267,064
Management and General	17,370	39,367
Fund Raising	<u>10,598</u>	<u>41,359</u>

Total Expenses	<u>129,053</u>	<u>347,790</u>
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CHANGE IN NET ASSETS	323,076	89,861
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Net Assets, Beginning	<u>408,849</u>	<u>318,988</u>
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NET ASSETS, ENDING	<u>\$ 731,925</u>	<u>\$ 408,849</u>
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STATEMENTS OF FUNCTIONAL EXPENSES

Modified Cash Basis

For the Year Ended December 31, 2016

	Program Activities	Management and General	Fund Raising	Total Expenses
Amortization Expense	\$ —	\$ 390	\$ —	\$ 390
Credit Card Processing Fees	—	—	7,067	7,067
Dues and Subscriptions	—	956	2,792	3,748
Grants	98,042	—	—	98,042
Insurance	178	648	622	1,448
Postage	—	—	117	117
Professional Fees and Outside Services	—	15,376	—	15,376
Medical Advisory Board Travel	2,865	—	—	2,865
	<u>\$ 101,085</u>	<u>\$ 17,370</u>	<u>\$ 10,598</u>	<u>\$ 129,053</u>

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Modified Cash Basis

For the Year Ended December 31, 2015

	Program Activities	Management and General	Fund Raising	Total Expenses
Salary and Benefits	\$ 4,645	\$ 13,934	\$ 27,867	\$ 46,446
Payroll Taxes	336	1,010	2,020	3,366
Amortization Expense	—	390	—	390
Credit Card Processing Fees	—	—	5,946	5,946
Dues and Subscriptions	—	319	2,030	2,349
Grants	260,000	—	—	260,000
Insurance	178	648	322	1,148
Supplies	—	—	562	562
Printing and Production	—	—	815	815
Postage	—	—	138	138
Professional Fees and Outside Services	118	23,051	707	23,876
Medical Advisory Board Travel	1,787	—	—	1,787
Miscellaneous Expenses	—	15	952	967
	\$ 267,064	\$ 39,367	\$ 41,359	\$ 347,790

SAVING TINY HEARTS SOCIETY

STATEMENTS OF CASH FLOWS

Modified Cash Basis

For the Years Ended December 31

2016

2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets

\$ 323,076

\$ 89,861

Adjustments to Reconcile Change in Net Assets to

Net Cash Provided by Operating Activities

Realized Gain on Stock Sale

—

(1,178)

Amortization Expense

390

390

Donated Stock

—

(25,270)

(Increase) Decrease in Prepaid Expenses

(5,000)

5,000

Total Adjustments

(4,610)

(21,058)

Net Cash Provided by Operating Activities

318,466

68,803

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Donated Stock

—

26,448

NET INCREASE IN CASH

318,466

95,251

Cash, Beginning

407,598

312,347

CASH, ENDING

\$ 726,064

\$ 407,598

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION ACTIVITIES

Saving Tiny Hearts Society (“the Society”) was founded in Deerfield, Illinois and incorporated on September 1, 2006 under the Illinois General Not-for-Profit Corporation Act.

The Society was established to raise seed money for grossly under-funded, lifesaving grassroots research of congenital heart defects (CHDs). The money raised acts as a bridge for research to millions of dollars of extramural funding from the National Institute of Health (NIH) or other outside funding.

The primary activity of the Society is to prolong, improve and save the lives of children born with CHDs by awarding revolutionary lifesaving research grants. Awardees are determined by the Society’s independent Scientific Medical Board and awards are based on criteria set forth by the National Institute of Health.

The Society receives its funding via contributions and grants from individuals, family foundations, corporations, community organizations and other members of the medical community, as well as fundraising events.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**BASIS OF ACCOUNTING**

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U. S. generally accepted accounting principles. Under that basis, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Society has not recognized contributions receivable and accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements. The Society recorded prepaid expenses in 2016 for its fundraising event to better match event revenues and expenses. Additionally, intangible assets have been capitalized and are amortized over their estimated useful lives on a straight-line basis.

USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification for “Financial Statements of Not-for-Profit Organizations”. Under the standards, the Society is required to report information regarding its financial position and activities into three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

Temporarily restricted net assets - Net assets whose use by the Society is subject to donor-imposed stipulations that may or will be met either by actions of the Society, pursuant to those stipulations and/or that expire by the passage of time. The Society had no temporarily restricted net assets at December 31, 2016 and 2015.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Society. Investment income, including realized and unrealized gains and losses, are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Society had no permanently restricted net assets at December 31, 2016 and 2015.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

PROPERTY AND EQUIPMENT

The Society capitalizes property and equipment purchases greater or equal to \$750 with useful lives exceeding one year.

RECOGNITION OF SUPPORT AND REVENUES

The Society accounts for contributions in accordance with the FASB Codification topic related to accounting for contributions made and received. Contributions, which consist of cash received from donors, are recognized as support or revenue when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor or by laws and regulations.

CONTRIBUTED SERVICES

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, and would need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Society received \$1,500 of donated professional accounting services for the year ended December 31, 2016. The Society received donated professional services of \$10,248 for the year ended December 31, 2015 consisting of \$4,300 of professional services and \$5,948 of legal services.

The Society also receives a significant amount of donated services from unpaid volunteers and board members who assist in its program and fundraising efforts in the furtherance of its purposes.

FUNDRAISING

Fundraising costs relate to annual fundraising, as well as agency promotion to enhance awareness to the community regarding the need to fund research for congenital heart defects.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities are presented on a functional basis in the statements of revenues, expenses and other changes in net assets. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

NOTES TO FINANCIAL STATEMENTS

NOTE 2—INTANGIBLES

The Society paid fees of \$1,950 to register a trademark in 2014. The amount was capitalized and is amortized over a period of 60 months. Amortization expense was \$390 for 2016 and 2015.

Estimated amortization expense for the next three years is:

Year Ended December 31		
2017	\$	390
2018		390
2019		<u>81</u>
	\$	<u>861</u>

NOTE 3—TAX-EXEMPT STATUS

The Society qualifies as a charitable organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois.

The Society follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Society has taken or expects to take in its tax returns. Under the guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Society believes that it has appropriate support for the positions taken on its returns.

NOTE 4—CONCENTRATIONS**REVENUE CONCENTRATION**

Approximately 69% of total revenues were earned through the Society's annual gala fundraising event and its golf outing for the year ended December 31, 2016.

Approximately 66% of total revenues were earned through the Society's annual gala fundraising event for the year ended December 31, 2015.

CREDIT RISK

The Society maintains cash in accounts at a financial institution, which, at times, may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society's management believes they are not exposed to any significant credit risk on cash.

NOTES TO FINANCIAL STATEMENTS

NOTE 5—RELATED PARTY TRANSACTIONS

The Society operates out of space located in the offices of the company co-owned by the President of the Board, which is located in Itasca, Illinois. No amounts have been reflected in the financial statements to reflect donated facilities, as the amount is not material to the financial statements.

NOTE 6—COMMITMENTS

The Society's Board of Directors approved six grants in November 2016 totaling \$328,000, all of which were paid in 2017.

NOTE 7—SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 24, 2017, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.