SAVING TINY HEARTS SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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Warady & Davis LLP
Certified Public Accountants & Consultants

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, 2018 and 2017, 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.

1717 Deerfield Road, Suite 300 South, Deerfield, Illinois 60015-3977 847•267•9600 Fax 847•267•9696 www.waradydavis.com

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, 2018 and 2017, 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.

Warady & Davis LLP

August 19, 2019

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
Modified Cash Basis

As of December 31	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	**$ 958,450**	$ 899,783
Prepaid Expenses	**10,000**	5,000
Total Current Assets	**968,450**	904,783
INTANGIBLES		
Trademark	**2,700**	1,950
Website	**4,700**	3,800
	7,400	5,750
Less: Accumulated Amortization	**4,423**	2,429
	2,977	3,321
	$ 971,427	$ 908,104
LIABILITIES AND NET ASSETS		
LIABILITIES	**$ —**	$ —
NET ASSETS		
Without Donor Restriction	**971,427**	908,104
	$ 971,427	$ 908,104

See accompanying notes.

STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS
Modified Cash Basis

For the Years Ended December 31	**2018**	2017
REVENUES		
Contributions	**$ 125,074**	$ 84,922
Donated Services	**1,400**	3,000
Special Event Revenue		
Gross Event Revenues	**601,797**	644,756
Less: Direct Expenses	**(194,560)**	(200,403)
Net Special Events	**407,237**	444,353
Total Revenues	**533,711**	532,275
Expenses		
Program Activities	**444,772**	330,535
Management and General	**15,819**	15,915
Fund Raising	**9,797**	9,646
Total Expenses	**470,388**	356,096
CHANGE IN NET ASSETS	**63,323**	176,179
Net Assets, Beginning	**908,104**	731,925
NET ASSETS, ENDING	**$ 971,427**	$ 908,104

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES
Modified Cash Basis
For the Year Ended December 31, 2018

	Program Activities	Management and General	Fund Raising	Total Expenses
Amortization Expense	$ —	$ 1,994	$ —	$ 1,994
Credit Card Processing Fees	—	—	2,447	2,447
Dues and Subscriptions	—	1,027	—	1,027
Equipment and Facilities Rental	—	—	3,142	3,142
Grants	442,305	—	—	442,305
Insurance	104	699	240	1,043
Miscellaneous	—	496	1,700	2,196
Medical Advisory Board Travel	2,363	—	—	2,363
Printing and Production	—	—	1,652	1,652
Postage	—	—	616	616
Professional Fees and Outside Services	—	11,603	—	11,603
	$ 444,772	$ 15,819	$ 9,797	$ 470,388

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)
Modified Cash Basis
For the Year Ended December 31, 2017

	Program Activities	Management and General	Fund Raising	Total Expenses
Amortization Expense	$ —	$ 1,340	$ —	$ 1,340
Credit Card Processing Fees	—	—	6,128	6,128
Equipment and Facilities Rental	—	—	1,988	1,988
Grants	328,000	—	—	328,000
Insurance	165	1,148	413	1,726
Miscellaneous	—	1,066	—	1,066
Medical Advisory Board Travel	2,370	—	—	2,370
Printing and Production	—	—	1,117	1,117
Professional Fees and Outside Services	—	12,361	—	12,361
	$ 330,535	$ 15,915	$ 9,646	$ 356,096

See accompanying notes.

STATEMENTS OF CASH FLOWS
Modified Cash Basis
For the Years Ended December 31

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	**$ 63,323**	$ 176,179
Adjustments to Reconcile Change in Net Assets to Net Cash Provided Operating Activities		
Amortization Expense	**1,994**	1,340
Increase in Prepaid Expenses	**(5,000)**	—
Total Adjustments	**(3,006)**	1,340
Net Cash Provided by Operating Activities	**60,317**	177,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Trademark	**(750)**	—
Website Development Fees	**(900)**	(3,800)
Net Cash Used by Investing Activities	**(1,650)**	(3,800)
NET INCREASE IN CASH	**58,667**	173,719
Cash, Beginning	**899,783**	726,064
CASH, ENDING	**$ 958,450**	$ 899,783

See accompanying notes.

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 2018 and 2017 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 two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations plus those resources for which donor-imposed stipulations have been satisfied. These net assets may otherwise be designated for specific purposes by action of the Board of Directors.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL STATEMENT PRESENTATION (Continued)

Net assets with donor restrictions - 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; and net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Society. The Society had no net assets with donor restrictions at December 31, 2018 and 2017.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

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 processing 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 donated professional accounting services of $1,400 in 2018 and $3,000 in 2017.

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. These services are not recorded as they do not meet the criteria for recognition.

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. As there are no personnel or space utilization costs on which to base the allocation as the organization is board run, the determination was performed considering the function of each cost and allocating accordingly.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTING PRONOUNCEMENTS

The Society adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which was issued by the Financial Accounting Standards Board (FASB) in August 2016 and was effective for the Society's year ended December 31, 2018. ASU No. 2016-14 required significant changes to the financial reporting model of organizations that follow the FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions; changes in the way certain information is aggregated and reported by the organization, including required disclosures about the liquidity and availability of resources; and a statement of functional expenses with required disclosure of the allocation methodology. The new standard was applied on a retrospective basis. Other than these additional disclosures and name changes, no revisions were required to the prior year amounts.

NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31, 2018:

Cash	$ 958,450

The Society has no net assets with donor restrictions, nor any board-designated net assets so the entire amount of its cash balance at December 31, 2018 is available for use. As the Board considers the cash balance available when approving grant commitments on an annual basis, no amounts have been invested. As part of its liquidity management plan, the Society will consider investing excess funds in the future to further provide additional funds to meet current operating needs.

NOTE 3—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. In 2018, the Society paid $750 for a copyright related to its fundraising efforts. The amount was capitalized and is amortized over a period of 60 months.

The Society paid $3,800 of website development costs in 2017. The amount was capitalized and amortized over a period of 36 months. In 2018, the Society paid $900 of additional website development costs. The amount was capitalized and amortized over a period of 36 months.

Amortization expense was $1,994 for 2018 and $1,340 for 2017.

Estimated amortization expense for the next five years is:

Year Ended December 31	
2019	$ 1,798
2020	767
2021	175
2022	150
2023	87
	$ 2,977

NOTE 4—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 5—CONCENTRATIONS

REVENUE CONCENTRATION

Approximately 77% of total revenues were earned through the Society's annual gala fundraising event and its golf outing for the year ended December 31, 2018.

Approximately 83% of total revenues were earned through the Society's annual gala fundraising event and its golf outing for the year ended December 31, 2017.

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.

NOTE 6—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 7—COMMITMENTS

The Society's Board of Directors approved five grants in November 2018 totaling $373,814. One grant for $74,200 was paid on December 31, 2018 and is reflected in grant expense in the statements of functional expense. The remaining four grants totaling $299,614 were paid in January 2019.

The Society's Board of Directors approved nine grants in November 2017 totaling $368,105, all of which were paid in 2018 and reflected in grant expense on the statements of functional expense.

NOTE 8—SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 19, 2019, the date which the financial statements were available for issue. Except as disclosed in Note 7, there were no subsequent events which require disclosure.