

**THE CHILDREN'S HEART FOUNDATION  
DECEMBER 31, 2015 AND 2014**

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

**THE CHILDREN'S HEART FOUNDATION  
FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION  
DECEMBER 31, 2015 AND 2014**

**CONTENTS**

	<b>Page Number</b>
<b>FINANCIAL STATEMENTS</b>	
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10
 <b>ADDITIONAL INFORMATION</b>	
Statement of Functional Expenses - 2015	11
Statement of Functional Expenses - 2014	12



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

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 29, 2016

## INDEPENDENT AUDITOR’S 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, 2015 and 2014, 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.

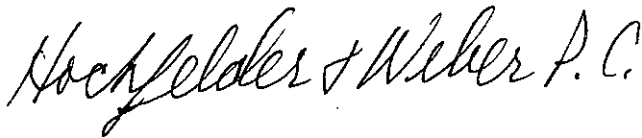
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2015 and 2014, 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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 563,124	\$ 462,117
Contributions Receivable	279,982	235,500
Investments	3,810	2,080
Net Fixed Assets	<u>16,453</u>	<u>17,484</u>
<b>        TOTAL ASSETS</b>	<b><u>\$ 863,369</u></b>	<b><u>\$ 717,181</u></b>
<b>LIABILITIES</b>		
Accrued Expenses	<u>\$ 20,000</u>	<u>\$ 0</u>
<b>NET ASSETS</b>		
Unrestricted	843,369	717,181
Temporarily Restricted	<u>0</u>	<u>0</u>
<b>        TOTAL NET ASSETS</b>	<b><u>843,369</u></b>	<b><u>717,181</u></b>
<b>        TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 863,369</u></b>	<b><u>\$ 717,181</u></b>

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, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>UNRESTRICTED NET ASSETS</b>		
Revenues and Other Support:		
Donations	\$ 143,303	\$ 256,093
Contributions from Affiliates	973,806	990,230
External Special Events (Note 7)	1,521,135	1,015,829
Grants	20	200
Total Support	2,638,264	2,262,352
Interest and Dividend Income	244	216
Gain (Loss) on Investments	(260)	57
Net Assets Released from Restriction	0	115,000
Other Income	122,186	157,378
Total Other Revenues	122,170	272,651
Total Support and Other Revenues	2,760,434	2,535,003
Expenses:		
Program Services	2,181,481	1,830,853
Management and General	63,866	66,808
Fundraising	388,899	295,983
Total Expenses	2,634,246	2,193,644
Net Assets Released from Restriction		
Increase (Decrease) in Unrestricted Net Assets	126,188	341,359
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenue		
Donations	0	0
Net Assets Released from Restriction		
Program Services	0	(115,000)
(Decrease) Increase in Temporarily Restricted Net Assets	0	(115,000)
<b>INCREASE IN NET ASSETS</b>	126,188	226,359
<b>NET ASSETS – BEGINNING OF THE YEAR</b>	717,181	490,822
<b>NET ASSETS – END OF THE YEAR</b>	<b>\$ 843,369</b>	<b>\$ 717,181</b>

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 126,188	\$ 226,359
Adjustments to Reconcile Changes in Net Assets To Net Cash from Operating Activities:		
Gain on Sale of Investments	0	(92)
Depreciation	6,071	5,248
(Increase) in Contributions Receivable	(44,482)	(120,500)
Increase (Decrease) in Accrued Expenses	20,000	(176,677)
Unrealized Loss on Investments	<u>260</u>	<u>35</u>
<b>NET USED PROVIDED BY OPERATING ACTIVITIES</b>	<u>108,037</u>	<u>(65,627)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	0	4,774
Purchase of Investments	(1,990)	0
Purchase of Equipment	<u>(5,040)</u>	<u>(7,764)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(7,030)</u>	<u>(2,990)</u>
<b>INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	101,007	(68,617)
<b>CASH AND EQUIVALENTS - BEGINNING</b>	<u>462,117</u>	<u>530,734</u>
<b>CASH AND EQUIVALENTS - ENDING</b>	<u>\$ 563,124</u>	<u>\$ 462,117</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, 2015 AND 2014**

**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 74 research projects, totaling \$8 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 Arizona, Colorado, Florida, Illinois, Indiana, Iowa, Missouri, New York, Ohio, Oregon, Pennsylvania and Virginia. 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 2012.

**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, 2015.



**THE CHILDREN'S HEART FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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, 2015.

The following is a description of the methodologies used in valuing investments at fair value as of December 31, 2015.

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 \$6,071 and \$5,248, respectively, for the years ended December 31, 2015 and 2014.

**F. Concentration of Credit Risk**

The Foundation maintains its cash balances at two high credit quality financial institutions located in Illinois. At December 31, 2015, the cash balance is \$926,683 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 2014 financial statements to the 2015 presentation.

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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 2015 and 2014 of \$1,500 which meet the criteria under SFAS 116, and are therefore recognized in the statement of activities.

**4. GRANTS**

During 2015, the Foundation approved nine research grants totaling \$959,134 to fund studies on congenital heart defects. The grants for 2015 were as follows: \$96,992 to Nobuyuki Ishibashi, MD from Center of Neuroscience, \$100,000 to Ming-Sing Si, MD from Mott Children's Hospital, \$90,026 to Jane Newburger, MD from Children's Hospital, \$20,000 to Doff McElhinney, MD from Boston Children's Hospital, \$410,301 to American Heart Association, \$ 99,768 to Lisa Martin, PhD from Cincinnati Children's Hospital Medical Center, \$ 30,991 to Karl Welke, MD from Children's Hospital of Illinois, \$61,056 to Eva Sevick, MD from The Brown Foundation Institute of Molecular Medicine and \$50,000 to Dr. Christopher Breuer from Nationwide Children's Hospital.

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 Breuer from Nationwide Children's Hospital.

**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. There are no restricted net assets at December 31, 2015 and 2014.

**THE CHILDREN'S HEART FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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>2015</u>	<u>2014</u>
Contributions to the CHF National Organization by:		
The Arizona Chapter	\$ 672	\$ 17,878
The Colorado Chapter	2,584	2,315
The Florida Chapter	15,589	28,897
The Georgia Chapter	1,760	2,176
The Illinois Chapter	524,977	494,765
The Michigan Chapter	9,577	22,965
The Missouri Chapter	56,305	113,683
The New York Chapter	47,312	35,596
The Ohio Chapter	30,074	43,779
The Oregon Chapter	50,707	16,550
The Pennsylvania Chapter	130,486	106,943
The Texas Chapter	81,508	53,037
CHF Developing Chapters	22,255	51,646
Total Contributions from Affiliates	<u>\$ 973,806</u>	<u>\$ 990,230</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>2015</u>	<u>2014</u>
ACHA/CHF Walk	\$ 741,486	\$ 560,980
Alpine Children's Charity	0	40,000
Bovis Golf Outing	184,496	168,185
Team CHF Athletics	9,493	9,645
Arizona Golf Outing	11,486	2,948
Miscellaneous Outside Fundraisers	574,174	234,071
Total	<u>\$ 1,521,135</u>	<u>\$ 1,015,829</u>

**THE CHILDREN'S HEART FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 2015 amounted to \$741,486, of which the Foundation received half. Included in the \$741,486 raised from the ACHA/CHF Walk during 2015 are the following amounts raised by individual chapters: \$77,624 from the Ohio Chapter, \$14,497 from the Colorado Chapter, \$87,551 from the Arizona Chapter, \$112,768 from the Pennsylvania Chapter, \$39,788 from the Georgia Chapter, \$25,802 from the Missouri Chapter, \$53,229 from the Florida Chapter, \$101,381 from the New York Chapter, \$34,477 from the Illinois Chapter, \$56,802 from the Michigan Chapter, \$40,864 from the Texas Chapter, \$9,633 from the Oregon Chapter. The remaining \$87,070 was raised from walks held by non-chapter affiliates.

**8. SUBSEQUENT EVENTS**

The Foundation did not have any subsequent events through August 29, 2016, 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, 2015.

**ADDITIONAL INFORMATION**

**THE CHILDREN'S HEART FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Research Funding	\$ 959,134	\$ 0	\$ 0	\$ 959,134
Public Education and Advocacy	222,553	0	46,511	269,064
Salaries, Taxes and Benefits	331,829	11,993	55,972	399,794
Insurance	1,477	8,184	249	9,910
Office Supplies and Postage	5,530	13,526	6,624	25,680
Professional Fees	0	10,333	448	10,781
Printing	0	1,754	1,435	3,189
Travel	108,575	3,015	14,070	125,660
Rent and Utilities	13,280	480	2,240	16,000
Marketing	58,404	2,950	10,106	71,460
Fundraising	431,121	225	245,605	676,951
Meetings and Conferences	49,578	1,312	2,459	53,349
Depreciation	0	6,071	0	6,071
Miscellaneous	<u>0</u>	<u>4,023</u>	<u>3,180</u>	<u>7,203</u>
Total	<u>\$ 2,181,481</u>	<u>\$ 63,866</u>	<u>\$ 388,899</u>	<u>\$ 2,634,246</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, 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.