

***HEARTBEAT INTERNATIONAL***

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED  
SEPTEMBER 30, 2016**

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Heartbeat International  
Columbus, Ohio

We have audited the accompanying financial statements of Heartbeat International (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, and cash flows for the year 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 risk 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 financial position of Heartbeat International as of September 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*McClintock & Associates, P.C.*

Pittsburgh, Pennsylvania  
January 11, 2017

# ***Heartbeat International***

## **STATEMENT OF FINANCIAL POSITION**

### **ASSETS**

	<b>September 30, 2016</b>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 822,684
Prepaid expenses	36,668
Accounts Receivable	29,788
<b>TOTAL CURRENT ASSETS</b>	<u>889,140</u>
<b>FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>	
Furniture	107,605
Equipment and software	240,964
Leasehold improvements	12,635
	<u>361,204</u>
Less accumulated depreciation and amortization	223,090
<b>TOTAL FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>	<u>138,114</u>
<b>OTHER ASSETS</b>	
Certificates of deposit - restricted	10,425
Computer software development	129,858
<b>TOTAL OTHER ASSETS</b>	<u>140,283</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,167,537</u>

### **LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>	
Accounts payable	\$ 69,866
Accrued expenses	50,630
<b>TOTAL CURRENT LIABILITIES</b>	<u>120,496</u>
<b>NET ASSETS</b>	
Unrestricted	730,426
Temporarily restricted	316,615
<b>TOTAL NET ASSETS</b>	<u>1,047,041</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,167,537</u>

*See accompanying notes to financial statements.*

# ***Heartbeat International***

## **STATEMENT OF ACTIVITIES**

	<b>Year Ended September 30, 2016</b>
<b>UNRESTRICTED NET ASSETS</b>	
<b>SUPPORT AND REVENUE</b>	
Contributions	\$ 1,470,795
Less: Amounts designated by donors for specific organizations	(12,087)
Total contributions	1,458,708
Program service	800,690
Membership dues	159,850
Interest income	181
Other income	4,590
Administrative fees retained on amounts designated by donors for specific organizations	1,182
Gifts-in-kind	381,616
Net assets released from restrictions	691,324
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,498,141</b>
<b>EXPENSES</b>	
Program services	2,610,195
Supporting services:	
Management and general costs	213,891
Fundraising	507,582
	721,473
<b>TOTAL EXPENSES</b>	<b>3,331,668</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>166,473</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>	
Contributions	645,362
Net assets released from restrictions	(691,324)
<b>DECREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>(45,962)</b>
<b>INCREASE IN NET ASSETS</b>	<b>120,511</b>
Net assets at the beginning of the year	926,530
<b>NET ASSETS AT THE END OF THE YEAR</b>	<b>\$ 1,047,041</b>

*See accompanying notes to financial statements.*

# ***Heartbeat International***

## **STATEMENT OF CASH FLOWS**

	<b>Year Ended September 30, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in net assets	\$ 120,511
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	41,427
Decrease (increase) in:	
Prepaid expenses	(27,326)
Other current assets	(24,547)
Increase (decrease) in:	
Accounts payable	8,941
Accrued expenses	22,734
Total net operating adjustment	21,229
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>141,740</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Increase in certificates of deposit-restricted	(2,003)
Acquisition of furniture and equipment	(119,693)
Payments for computer software product development	(129,858)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(251,554)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(109,814)</b>
Cash and cash equivalents at beginning of year	932,498
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 822,684</b>

*See accompanying notes to financial statements.*

# ***Heartbeat International***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE A - NATURE OF OPERATIONS**

Heartbeat International (Organization) is an Ohio non-profit corporation. The Internal Revenue Service granted the Organization exempt status under Section 501(c)(3) of the Internal Revenue Code, thereby making all donations received by the Organization deductible by the contributors for federal income tax purposes. The Organization is an association which provides consultation, education, training and support of life-affirming pregnancy service centers worldwide. The Organization's headquarters are located in Columbus, Ohio.

Management has evaluated subsequent events through January 11, 2017, the date the financial statements were available to be issued, and has no material subsequent events to report.

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

Assets and liabilities, and revenue and expenses are recognized on the accrual method of accounting.

#### **Financial Statement Presentation**

The Organization records unconditional promises to give (pledges) as receivables (stated at fair value) and revenues and distinguishes between contributions received for each net asset category. For external financial reporting, it classifies resources for accounting and reporting purposes into three net asset categories according to external (donor) imposed restrictions. A description of the three net asset categories follows:

1. Unrestricted net assets include contributions which are not subject to donor-imposed restrictions.
2. Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted.
3. Permanently restricted net assets include donor-imposed restrictions that resources be maintained permanently, but would permit use of part or all of the income derived from those resources. As of September 30, 2016, there were no permanently restricted net assets.

#### **Functional Allocation of Expenses**

The costs of operation of the Organization have been summarized on a functional basis in the Statement of Activities. Certain costs have been allocated among the program and support services based upon management's judgment of efforts expended.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in the bank and all short-term investments with an original maturity of 90 days or less.

#### **Accounts Receivable**

Accounts receivable consist primarily of amounts due to the Organization from services performed. Accounts receivable are recorded at the amounts originally billed, less payments received, and are non-interest bearing. Management has determined that no allowance for uncollectible accounts receivable is necessary.

# ***Heartbeat International***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Furniture, Equipment and Leasehold Improvements**

Furniture, equipment and leasehold improvements are recorded at cost if purchased and fair value if contributed. Expenditures for renewals and betterments that extend the life of the assets are capitalized. Repairs and maintenance items are charged to expense as incurred. Gain or loss on the retirement or disposal of assets is included in operations in the year of disposal. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets. Improvements are being amortized over the length of the leases. Depreciation and amortization charged to operations for the year ended September 30, 2016 was \$41,427.

#### **Computer Software Development**

The Organization is in the process of developing computer software. Costs incurred to establish technological feasibility are expensed as incurred. Costs incurred after technological feasibility has been established are capitalized until the software is available for release. Once the software is available for release, capitalization of costs will cease and amortization of the capitalized costs will begin. Amortization expense will be computed using the straight-line method based on the estimated useful life, which management anticipates being five years or less.

#### **Donor-Imposed Restricted Support**

Donor-imposed restricted support is recorded as either temporarily or permanently restricted. Temporarily restricted support is transferred to the unrestricted classification when the donor-imposed restriction is met. There was no donor-imposed permanently restricted support during the year ended September 30, 2016.

#### **Donated Services**

The Organization recognizes donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. These donated services are recorded at their fair value. During the year ended September 30, 2016, the value of donated services was \$381,616 of which the majority was for services such as television, radio, and outdoor advertising promoting the toll-free number of the Option Line. Option Line is a free helpline, provided by the Organization which directs clients to the nearest pregnancy resource center. Other companies donated various services.

#### **Revenue Recognition**

Revenue from program services is recognized at the time services are provided. Revenue from membership dues is recognized when payment is received. Contributions and pledges are recognized when received.

#### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# ***Heartbeat International***

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## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE C - CERTIFICATES OF DEPOSIT - RESTRICTED**

The certificates of deposit are required under an agreement with the State of Ohio Unemployment Compensation Bureau. Under terms of the agreement, in order for the Organization to be exempt from making payments to the Unemployment Compensation Fund for potential claims, the certificates of deposit are required as collateral.

### **NOTE D - RELATED PARTY TRANSACTIONS**

During the year, the Board Members contributed approximately \$249,000 to the Organization.

### **NOTE E - CONCENTRATION OF CREDIT RISK**

The Organization, at times, may have cash deposits which exceed \$250,000 in an individual bank. The Federal Deposit Insurance Corporation (FDIC) insures only the first \$250,000 of funds at member banks.

### **NOTE F - RETIREMENT SAVINGS PLAN**

The Organization sponsors a 403(b) Retirement Savings and Profit Sharing Plan for all eligible employees as defined by the Plan. The participants may contribute a percentage of their salary not to exceed 403(b) limits of the Internal Revenue Code. The Organization may also make a discretionary contribution each year. The Organization did not make a discretionary contribution during the year ended September 30, 2016.

### **NOTE G - LEASE COMMITMENTS**

The Organization leases its operations and office facilities under a non-cancelable operating lease agreement expiring March 2019 with an automatic five-year renewal option. In the normal course of business, it is expected that these leases will be renewed or replaced by leases on other properties. The Organization is responsible for insurance and maintenance for the leased space.

The lease provides for fixed rental payments of \$5,375 monthly in the initial term of the lease. The amount charged to operations under all operating leases for the year ended September 30, 2016, was approximately \$83,700 which includes insurance and maintenance expense.

Minimum future lease payments for the next three years and in the aggregate are as follows:

<b><u>Years Ending</u></b> <b><u>September 30,</u></b>	
2017	\$ 64,500
2018	64,500
2019	<u>32,250</u>
	<u>\$ 161,250</u>



## **SUPPLEMENTARY INFORMATION**

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Heartbeat International  
Columbus, Ohio

We have audited the financial statements of Heartbeat International as of and for the year ended September 30, 2016, and our report thereon dated January 11, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. This supplementary information 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.

*McClintock & Associates, P.C.*

Pittsburgh, Pennsylvania  
January 11, 2017

# ***Heartbeat International***

## **STATEMENT OF EXPENSES**

	<b>Year Ended September 30, 2016</b>			
	<b>Program Services</b>	<b>Management and General Costs</b>	<b>Fundraising</b>	<b>Total</b>
<b>EXPENSES</b>				
Advertising	\$ 31,608	\$ 1,332	\$ 6,007	\$ 38,947
Bank/credit card service charges	23,108	439	5,819	29,366
Board expenses	0	11,615	0	11,615
Conference/convention/meetings (staff)	2,264	645	615	3,524
Conference facilities	219,884	6,414	13,540	239,838
Contract services	139,235	4,256	46,370	189,861
Contributions	246,858	0	0	246,858
Depreciation	37,275	2,076	2,076	41,427
Equipment rent and repair	3,368	1,503	725	5,596
Exhibiting	1,264	0	150	1,414
Gifts-in-kind - expense	381,616	0	0	381,616
Gifts	15,631	628	2,783	19,042
Goods purchased	42,576	0	1,157	43,733
Insurance	6,578	1,496	1,234	9,308
Licenses/certifications	2,162	1,162	3,402	6,726
Miscellaneous	847	0	0	847
Occupancy	67,834	7,606	8,267	83,707
Postage and delivery	21,131	555	49,649	71,335
Printing and duplication	47,094	0	51,708	98,802
Royalties	315	0	0	315
Salaries and benefits	1,151,574	154,333	285,543	1,591,450
Subscription/membership/research	10,186	2,529	3,725	16,440
Supplies	11,328	4,549	2,748	18,625
Telephone	38,413	8,125	5,043	51,581
Travel, lodging and related expenses	108,046	4,628	17,021	129,695
<b>TOTAL EXPENSES</b>	<b>\$ 2,610,195</b>	<b>\$ 213,891</b>	<b>\$ 507,582</b>	<b>\$ 3,331,668</b>

*See independent auditor's report on supplementary information.*