

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

HEARTBEAT INTERNATIONAL FOUNDATION, INC. AND AFFILIATE

December 31, 2016

TABLE OF CONTENTS

Independent Auditors' Report	3 - 4
Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities and Changes in Net Assets	6
Consolidated Statement of Cash Flows	7
Consolidated Statement of Functional Expenses	8
Notes to Consolidated Financial Statements	9 - 15
Supplementary Information	16
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities and Changes in Net Assets	18



RIVERO, GORDIMER & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Member
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

Herman V. Lazzara	Stephen G. Douglas
Marc D. Sasser	Michael E. Helton
Sam A. Lazzara	Christopher F. Terrigino
Kevin R. Bass	James K. O'Connor
Jonathan E. Stein	
Richard B. Gordimer, of Counsel	
Cesar J. Rivero, in Memoriam (1942-2017)	

INDEPENDENT AUDITORS' REPORT

Board of Directors
Heartbeat International Foundation, Inc. and
Heartbeat International Worldwide, Inc.

We have audited the accompanying consolidated financial statements of Heartbeat International Foundation, Inc. (the "Foundation") and Affiliate (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

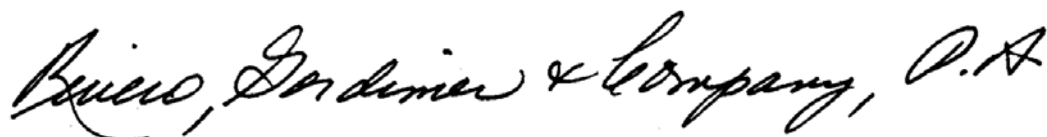
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heartbeat International Foundation, Inc. and Affiliate as of December 31, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statement as a whole. The accompanying supplementary information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Benicio, Gordinier & Company, P.A." The signature is written in a cursive, flowing style.

Tampa, Florida
August 29, 2017

Heartbeat International Foundation, Inc. and Affiliate
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS

ASSETS

Cash (note A3)	\$ 3,428
Cash held for others (note K)	39,770
Accounts receivable (note A4)	27,500
Prepaid expenses	500
Inventory (notes A5, B and J)	8,120,785
Furnishings and equipment, net of accumulated depreciation (notes A6, A7 and C)	<u>10,780</u>

TOTAL ASSETS	<u><u>\$ 8,202,763</u></u>
--------------	----------------------------

LIABILITIES AND NET ASSETS

LIABILITIES

Line of credit (note D)	\$ 49,865
Note payable - related party (note E)	14,050
Accounts payable and accrued expenses	56,981
Due to others (note K)	39,770
Deferred revenue (note F)	35,250
Capital lease obligation (note G)	<u>9,024</u>

Total liabilities	<u>204,940</u>
-------------------	----------------

NET ASSETS (note H)

Unrestricted	<u>7,997,823</u>
--------------	------------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,202,763</u></u>
----------------------------------	----------------------------

The accompanying notes are an integral part of this statement.

Heartbeat International Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2016

PUBLIC SUPPORT AND REVENUE

Contributions

Cash (note A8)	\$ 89,199
Donations in-kind (notes A9, B and J)	10,573,531
Special events (net of \$6,008,234 of direct expenses)	135,208
Program service fees	<u>54,000</u>

Total public support and revenue	<u>10,851,938</u>
----------------------------------	-------------------

EXPENSES

Program services	<u>5,665,386</u>
------------------	------------------

Supporting services

Management and general	63,732
Fundraising	<u>47,706</u>
	<u>111,438</u>

Total expenses	<u>5,776,824</u>
----------------	------------------

Change in net assets	5,075,114
----------------------	-----------

Net assets at beginning of year	<u>2,922,709</u>
---------------------------------	------------------

Net assets at end of year	<u><u>\$ 7,997,823</u></u>
---------------------------	----------------------------

The accompanying notes are an integral part of this statement.

Heartbeat International Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

Cash flows from operating activities	
Change in net assets	\$ 5,075,114
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	3,646
Decrease in accounts receivable	7,500
Increase in inventory	(5,068,485)
Decrease in accounts payable and accrued expenses	(17,820)
Increase in due to others	39,770
Decrease in deferred revenue	(17,500)
Total adjustments	(5,052,889)
Net cash provided by operating activities	22,225
Cash flows from financing activities	
Net proceeds from line of credit	800
Payments on capital leases	(2,132)
Proceeds from note payable - related party	12,000
Payments on note payable - related party	(11,750)
Net cash used by financing activities	(1,082)
Net increase in cash	21,143
Cash at beginning of year	22,055
Cash at end of year	\$ 43,198
Supplemental disclosures of cash flow information and non cash investing and financing activities	
Interest paid	\$ 5,770
Income taxes paid	\$ -
Cash at December 31, 2016 consists of the following	
Operating cash	\$ 3,428
Cash held for others (note K)	39,770
	\$ 43,198

The accompanying notes are an integral part of this statement.

Heartbeat International Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	Program Services	Supporting Services			Total
		Management and General	Fund Raising	Total Supporting Services	
Salary, wages, and taxes	\$ 99,228	\$ 23,626	\$ 34,651	\$ 58,277	\$ 157,505
Contracted services	47,634	15,393	466	15,859	63,493
Medical devices placed in service	5,464,140	-	-	-	5,464,140
Depreciation and amortization	2,297	547	802	1,349	3,646
Insurance	1,413	336	493	829	2,242
Interest expense	3,635	866	1,269	2,135	5,770
IT support and maintenance	4,523	1,077	1,580	2,657	7,180
Marketing and public relations	2,614	622	913	1,535	4,149
Miscellaneous	724	649	1,823	2,472	3,196
Office supplies	352	83	123	206	558
Taxes, licenses and fees	203	49	71	120	323
Printing, postage and shipping	19,962	421	618	1,039	21,001
Professional fees	-	16,724	-	16,724	16,724
Rent	12,816	3,052	4,475	7,527	20,343
Telephone and internet	1,208	287	422	709	1,917
Travel and meals	4,637	-	-	-	4,637
Total expenses	<u>\$ 5,665,386</u>	<u>\$ 63,732</u>	<u>\$ 47,706</u>	<u>\$ 111,438</u>	<u>\$ 5,776,824</u>

The accompanying notes are an integral part of this statement.

Heartbeat International Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization

Heartbeat International Foundation, Inc. (the "Foundation") was formed during 2007 with the primary purpose of developing and providing educational programs and opportunities to physicians and healthcare professionals in the United States and developing countries to increase their medical knowledge by the use and application of pacemaker devices in the care of indigent persons internationally. The Foundation is supported primarily through donor contributions, grants, and fundraising events.

Heartbeat International Worldwide, Inc. ("Worldwide") is a non-for-profit organization established in 1984 to serve as a donor bank of cardiac related medical devices, specifically pacemakers and peripheral equipment. Until Worldwide's incorporation in 1993, the pacemaker heart center operated as a cooperative joint venture of the Watson Clinic in Lakeland, Florida; St. Joseph's Hospital in Tampa, Florida; Rotary International Districts 6960, 6950, and 6890; and companies in the pacemaker manufacturing industry. Worldwide is primarily supported by contributions from individuals and industry related businesses.

Worldwide maintains the majority of its inventory of cardiovascular medical equipment at its Regional Distribution Center in Trinidad. Inventory may, from time to time, also be held at its Tampa, Florida office. Worldwide distributes this equipment to its network of Heart Centers, which are independent non-profit organizations established and operating year-round in developing countries around the world. These Heart Centers identify patients that qualify, both medically and economically. Once a patient has been qualified for the Heartbeat program, the Heart Center implants the device and provides all associated medical care to the patient. Worldwide oversees a strict operational protocol ensuring patient qualification, medical device tracking, reporting to donors and qualification of participating physicians and hospitals.

The procedures require:

1. A physician with knowledge and expertise to perform the implant surgery and any follow-up care to the patient at no charge.
2. The involvement of a hospital with adequate surgical facilities and nursing staff to support the implanting physician and the patient's care at no charge.
3. Designation of a person responsible for ensuring all Heartbeat International reporting requirements are met. These requirements include, but may not be limited to, periodic Heart Center inventory verification, device implantations, patient follow-up and device destruction verification.

Heartbeat International Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

As of December 31, 2016, Worldwide works with established heart centers in the following locations:

Ecuador	Mexico
El Salvador	Pakistan
Guatemala	Paraguay
Honduras	Trinidad & Tobago
India - Bangalore	Dominican Republic
India - Cochin	Philippines

The Foundation and Worldwide are collectively referred to hereafter as the "Organization."

2. Basis of Accounting

The Organization follows the provisions of the Financial Accounting Standards Board of Accounting Standards Codification ("FASB ASC") and the standards of financial reporting for not-for-profit organizations as described in the American Institute of Certified Public Accountants' *Industry Guide for Not-for-Profit Organizations*. Accordingly, the financial statements are prepared on an accrual basis of accounting. The financial statements of the Organization are the representation of management and include estimates of amounts and judgments it believes are reasonable under the circumstances.

FASB ASC 958-205 (*Presentation of Financial Statements*) establishes standards for general purpose external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows.

FASB ASC 958-605 (*Revenue Recognition*) requires the Organization to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributed services meeting certain criteria at fair value. These consolidated financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into three self-balancing net asset groups as follows:

Unrestricted net assets – not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

Temporarily restricted net assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted by the passage of time. Currently, the Organization has no temporarily restricted net assets.

Heartbeat International Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Permanently restricted net assets - subject to donor-imposed stipulations that they be retained and invested permanently by the Organization. Currently, the Organization has no permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Accounts Receivable

The Organization believes all receivables to be collectible at December 31, 2016. As such, no provision for uncollectible amounts is included in the accompanying consolidated financial statements at December 31, 2016.

5. Inventory

Inventory is comprised of donated pacemakers and related equipment, all of which is used to carry out the humanitarian mission of the Organization. Inventory is valued at its estimated fair value (see note J).

6. Furnishings and Equipment

Furnishings and equipment are recorded at either cost or fair value at the date of receipt or donation. The Organization capitalizes items greater than \$1,000.

7. Depreciation and Amortization

Depreciation of furnishings and equipment are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, ranging generally from 3 to 5 years, principally on a straight-line basis.

8. Contributions

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the current year, are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received.

Heartbeat International Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted support and revenue.

9. Contributed Equipment and Services

Contributed medical equipment is recorded at fair value at the date of donation as unrestricted support and revenue, unless the use of such contributed assets is restricted by a donor.

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets; the services would have been purchased if not provided by contribution; and the service requires specialized skills.

10. Income Tax Status

The Foundation has received a determination of tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

Worldwide was incorporated as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

Management is not aware of any activities that would jeopardize the Organization's tax exempt status. The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after fiscal year 2013 remain subject to examination by taxing authorities.

11. Allocation of Functional Expenses

Certain expenses are allocated on the basis of employee time involved or other allocable bases. Expenses incurred for the benefit of a single function are reported directly into the appropriate function.

12. Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Heartbeat International Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and Worldwide. All significant intercompany accounts and transactions have been eliminated.

NOTE B - INVENTORY

Donations of inventory are recorded at their estimated fair value. The inventory records are maintained under the specific inventory method. Items determined to be obsolete are destroyed.

Inventories consisted of the following at December 31, 2016:

Pacemakers	\$ 3,265,600
Defibrillators	4,433,500
Leads	<u>421,685</u>
	<u>\$ 8,120,785</u>

NOTE C - FURNISHINGS AND EQUIPMENT, NET

Furnishings and equipment, and related accumulated depreciation consisted of the following at December 31, 2016:

Office equipment	\$ 12,000
Computer equipment	<u>3,736</u>
	15,736
Less accumulated depreciation	<u>(4,956)</u>
	<u>\$ 10,780</u>

NOTE D - LINE OF CREDIT

The Organization has a \$50,000 unsecured revolving line of credit with a financial institution personally guaranteed by one of the members of the Board of Directors, with variable interest at the prime rate (3.75% at December 31, 2016), due upon demand. The note was extended during 2016 and does not carry a maturity date. The note is renewed at the lender's discretion. The line of credit has an outstanding balance of \$49,865 at December 31, 2016.

Heartbeat International Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE E - RELATED PARTY TRANSACTIONS

A member of the Board of Directors has from time to time lent money to the Organization as needed to meet short term cash flow needs. The loans are non-collateralized and typically due within one year. The amount owed to the member of the Board of Directors was \$14,050 at December 31, 2016. The Organization paid this loan in full subsequent to year end. Interest was waived by the member of the Board of Directors.

NOTE F - DEFERRED REVENUE

Deferred revenue represents program service fees received by the Organization prior to the period to which they relate. Such amounts are recognized as revenue during the period services are performed. Deferred revenue was \$35,250 at December 31, 2016.

NOTE G - COMMITMENTS

1. Capital Leases

The Organization leases certain office equipment under a capital lease. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the lower of their related lease terms or their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense.

The Organization leases the following assets under capital leases at December 31, 2016:

Office equipment	\$ 12,000
Less accumulated depreciation	<u>(3,400)</u>
	<u>\$ 8,600</u>

The following schedule of future minimum lease payments required under the Organization's capital lease obligations are as follows:

Year ending December 31,:

2017	\$ 2,863
2018	2,863
2019	2,863
2020	<u>1,671</u>
Total future payments on capital lease	10,260
Less amount representing interest	<u>(1,236)</u>
Total current capital lease obligations	<u>\$ 9,024</u>

Heartbeat International Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2016

NOTE H - NET ASSETS

Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions when a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished.

NOTE I - CONCENTRATION OF CREDIT RISK

The Organization received approximately 90% of its donated medical devices from one manufacturer during the year ended December 31, 2016.

NOTE J - INVENTORY VALUATION

The Organization maintains the majority of its inventory at its Regional Distribution Center in Trinidad. Inventory may, from time to time, also be held at its Tampa, Florida office. The Organization periodically calculates the total value of its inventory by aggregating the values estimated for each item contained in inventory. The determination of the value of any given item in inventory begins with its market value at the time it is donated to the Organization. The value of each item is then reduced by an amount proportional to its remaining useful life. The estimated remaining useful life is based on several factors, including device testing, donor input, physician input and the Organization's own experience.

NOTE K - CASH HELD FOR OTHERS

The Organization has \$39,770 in cash in a bank depository account that belongs to a third party that they partner with for the sole purpose of conducting an annual special event.

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to December 31, 2016 as of August 29, 2017 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Heartbeat International Foundation, Inc. and Affiliate
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2016

	Heartbeat International Foundation	Heartbeat International Worldwide	Eliminations	Consolidated
ASSETS				
ASSETS				
Cash	\$ 3,428	\$ -	\$ -	\$ 3,428
Cash held for others	39,770	-	-	39,770
Accounts receivable	-	27,500	-	27,500
Prepaid expenses	500	-	-	500
Inventory	-	8,120,785	-	8,120,785
Furnishings and equipment, net of accumulated depreciation	10,780	-	-	10,780
TOTAL ASSETS	\$ 54,478	\$ 8,148,285	\$ -	\$ 8,202,763
LIABILITIES AND NET ASSETS				
LIABILITIES				
Line of credit	\$ 49,865	\$ -	\$ -	\$ 49,865
Note payable-related party	14,050	-	-	14,050
Accounts payable and accrued expenses	56,981	-	-	56,981
Due to others	39,770	-	-	39,770
Deferred revenue	-	35,250	-	35,250
Capital lease obligation	9,024	-	-	9,024
TOTAL LIABILITIES	169,690	35,250	-	204,940
NET ASSETS				
Unrestricted	(115,212)	8,113,035	-	7,997,823
TOTAL LIABILITIES AND NET ASSET	\$ 54,478	\$ 8,148,285	\$ -	\$ 8,202,763

Heartbeat International Foundation, Inc. and Affiliate

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2016

	Heartbeat International Foundation	Heartbeat International Worldwide	Eliminations	Consolidated
PUBLIC SUPPORT AND REVENUE				
Contributions				
Cash	\$ 89,199	\$ -	\$ -	\$ 89,199
Donations in-kind	40,906	10,532,625	-	10,573,531
Special events (net of \$6,008,234 of direct expense)	135,208	-	-	135,208
Program service fees	44,000	54,000	(44,000)	54,000
Total public support and revenue	309,313	10,586,625	(44,000)	10,851,938
EXPENSES				
Program services	201,246	5,508,140	(44,000)	5,665,386
Supporting services				
Management and general	63,732	-	-	63,732
Fundraising	47,706	-	-	47,706
	111,438	-	-	111,438
Total expenses	312,684	5,508,140	(44,000)	5,776,824
Change in net assets	(3,371)	5,078,485	-	5,075,114
Net assets at beginning of year	(111,841)	3,034,550	-	2,922,709
Net assets at end of year	\$ (115,212)	\$ 8,113,035	\$ -	\$ 7,997,823