Heartspring, Inc.

Independent Auditor's Report and
Consolidated Financial Statements

June 30, 2015 and 2014

BKD LLP
CPAs & Advisors

Heartspring, Inc.
June 30, 2015 and 2014

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Independent Auditor's Report

Board of Trustees
Heartspring, Inc.
Wichita, Kansas

We have audited the accompanying consolidated financial statements of Heartspring, Inc. and its affiliates, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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 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 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 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 Heartspring, Inc. and its affiliates as of June 30, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of functional expenses and activities listed in the table of contents are presented for purposes of additional analysis and are 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.

BKD, LLP

Wichita, Kansas
November 18, 2015

Heartspring, Inc.
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 706,396	$ 633,807
Accounts receivable, net of allowance; 2015 – $110,000; 2014 – $135,000	2,241,307	2,173,156
Prepaid expenses and other	254,925	260,399
Investments	14,126,521	13,827,363
Interest in assets held by Wichita Community Foundation	4,865,164	5,232,293
Property and equipment, net of accumulated depreciation; 2015 – $8,080,984; 2014 – $7,656,629	10,995,484	11,479,763
Total assets	$ 33,189,797	$ 33,606,781
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 97,374	$ 121,795
Accrued compensated absences	510,093	497,407
Other accrued expenses	570,001	413,486
Deposits and advances	70,228	2,592
Total liabilities	1,247,696	1,035,280
Net Assets		
Unrestricted	27,312,165	27,961,847
Temporarily restricted	1,951,315	1,931,033
Permanently restricted	2,678,621	2,678,621
Total net assets	31,942,101	32,571,501
Total liabilities and net assets	$ 33,189,797	$ 33,606,781

Heartspring, Inc.
Consolidated Statements of Activities
Years Ended June 30, 2015 and 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Fees	$ 15,110,037	$ -	$ -	$ 15,110,037
Contributions	378,966	500,993	-	879,959
Legacies and bequests	-	-	-	-
Investment return	416,210	80,183	-	496,393
Change in interest in assets held by Wichita Community Foundation	(367,129)	-	-	(367,129)
Other	111,804	-	-	111,804
Satisfaction of program restrictions	445,657	(445,657)	-	-
Satisfaction of equipment acquisition restrictions	115,237	(115,237)	-	-
Total revenues, gains and other support	16,210,782	20,282	-	16,231,064
Expenses				
School	12,568,506	-	-	12,568,506
Pediatric Services	2,780,563	-	-	2,780,563
Total program services	15,349,069	-	-	15,349,069
Management and general	1,077,826	-	-	1,077,826
Fund raising	433,569	-	-	433,569
Total expenses	16,860,464	-	-	16,860,464
Change in Net Assets	(649,682)	20,282	-	(629,400)
Net Assets, Beginning of Year	27,961,847	1,931,033	2,678,621	32,571,501
Net Assets, End of Year	$ 27,312,165	$ 1,951,315	$ 2,678,621	$ 31,942,101

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 14,198,091	$ -	$ -	$ 14,198,091
228,564	557,906	-	786,470
321,760	-	-	321,760
609,336	469,645	-	1,078,981
533,147	-	-	533,147
108,228	-	-	108,228
661,367	(661,367)	-	-
72,161	(72,161)	-	-
16,732,654	294,023	-	17,026,677
12,273,753	-	-	12,273,753
2,409,943	-	-	2,409,943
14,683,696	-	-	14,683,696
885,092	-	-	885,092
399,792	-	-	399,792
15,968,580	-	-	15,968,580
764,074	294,023	-	1,058,097
27,197,773	1,637,010	2,678,621	31,513,404
$ 27,961,847	$ 1,931,033	$ 2,678,621	$ 32,571,501

Heartspring, Inc.
Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	$ (629,400)	$ 1,058,097
Items not requiring (providing) operating activities cash flows		
Depreciation	681,996	697,318
Loss on disposal of property and equipment	4,557	7,183
Net realized and unrealized (gains) losses on investments	228,711	(357,184)
(Gain) loss on interest in net assets at Wichita Community Foundation	367,129	(533,147)
Changes in		
Accounts receivable	(68,151)	(158,913)
Prepaid expenses and other	5,474	28,528
Contributions receivable	-	20,944
Accounts payable and accrued expenses	144,780	46,289
Deposits and advances	67,636	(8,043)
Net cash provided by operating activities	802,732	801,072
Investing Activities		
Purchase of property and equipment	(208,885)	(536,170)
Proceeds from disposition of property and equipment	6,611	6,412
Purchase of investments	(5,619,515)	(8,309,165)
Proceeds from sale of investments	5,091,646	8,003,429
Net cash used in investing activities	(730,143)	(835,494)
Increase (Decrease) in Cash and Cash Equivalents	72,589	(34,422)
Cash and Cash Equivalents, Beginning of Year	633,807	668,229
Cash and Cash Equivalents, End of Year	$ 706,396	$ 633,807

Heartspring, Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Heartspring, Inc. (Heartspring), located in Wichita, Kansas, began in 1934 as a not-for-profit institution, serving children with speech defects and disorders. Today, Heartspring provides a wide range of services and therapies through several programs, including the Heartspring School and Heartspring Pediatric Services.

The Heartspring School is a therapeutic residential and day school program for children with severe developmental disabilities from across the United States. Many of these children cannot be served adequately through programs in their home school districts and look to Heartspring for its unique individualized programming, which utilizes evidence-based and emerging best practices. Students often have multiple diagnoses, including autism spectrum disorders, cerebral palsy, speech and language impairments, visual impairments and other developmental disabilities.

Additionally, the Heartspring School offers training and consultation services to parents and professionals within the United States and around the world. Through its international outreach efforts, Heartspring professionals attend international conferences and work collaboratively with individuals from other organizations to forge a brighter pathway for children with special needs worldwide.

Heartspring's Pediatric Services offers occupational, physical and speech therapies, audiology, Applied Behavior Analysis (ABA) and psychological services to children ages birth to 21. As an outpatient comprehensive facility, Heartspring Pediatric Services follows medical model practices and works with families and other professionals from Wichita and the surrounding communities to ensure progress across multiple settings. Therapists use hands-on therapeutic interventions in an individualized setting, while teaching families how to continue therapy at home and in the community. Additional community services include autism outreach efforts for children and young adults on the autism spectrum. Programs consist of a summer day camp, weekly social groups, consultation services for families and training for businesses to provide greater opportunity to those impacted by autism spectrum disorders.

Principles of Consolidation

The consolidated financial statements include the accounts and activities of Heartspring, Heartspring Endowment Trust (the Endowment) and Heartspring Foundation (the Foundation) due to their relationships, structures, purposes and shared economic interests. The Endowment was established to provide an annual income to Heartspring in furtherance of its purposes using permanently restricted endowments. The Foundation was established to provide support for Heartspring's programs typically using funds that are temporarily restricted for a particular purpose. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Heartspring considers all liquid investments, except those assets held by the Foundation and Endowment as well as any temporarily or permanently restricted funds, with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, cash equivalents consisted primarily of money market accounts.

At June 30, 2015, Heartspring's cash accounts exceeded federally insured limits by approximately $520,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividends, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return is reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Heartspring maintains pooled investment accounts for its restricted endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Accounts Receivable

Accounts receivable are stated at the amount billed to clients. Heartspring provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 30 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the client.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Heartspring has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Heartspring in perpetuity.

Fees Revenue

Heartspring has agreements with third-party payers that provide for payments to Heartspring at amounts different from its established rates. Fees revenue is reported at the estimated net realizable amounts from clients, third-party payers and others for services rendered.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Income Taxes

Heartspring, the Endowment and the Foundation are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, they are subject to federal income tax on any unrelated business taxable income. With a few exceptions, Heartspring is no longer subject to federal and state tax examinations by tax authorities for years before 2012.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Occupancy costs and maintenance expenses have been allocated based upon space utilized by the departments within the various services. Depreciation costs have been allocated based upon asset usage.

Note 2: Investments and Investment Return

Investments at June 30 consisted of the following:

	2015	2014
Investments, at Fair Value		
Equity securities	$ 4,862,506	$ 4,910,541
Corporate debt securities	6,263,260	6,263,491
U.S. treasury securities	129,212	157,335
Mortgage-backed securities	50,519	50,626
Money market funds	271,459	138,716
	11,576,956	11,520,709
Investments, at Cost		
Certificates of deposit	2,549,565	2,306,654
	$ 14,126,521	$ 13,827,363

Total investment return is comprised of the following:

	2015		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income, less investment expense of $25,403	$ 492,382	$ 232,722	$ 725,104
Net realized gains on investments reported at fair value	34,895	127,162	162,057
Net unrealized losses on investments reported at fair value	(111,067)	(279,701)	(390,768)
Total	$ 416,210	$ 80,183	$ 496,393

	2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividend income, less investment expense of $25,392	$ 512,277	$ 209,520	$ 721,797
Net realized gains on investments reported at fair value	49,815	181,535	231,350
Net unrealized gains on investments reported at fair value	47,244	78,590	125,834
Total	$ 609,336	$ 469,645	$ 1,078,981

Note 3: Interest in Assets Held by Wichita Community Foundation

Heartspring has transferred assets to the Wichita Community Foundation and retained a beneficial interest in those assets. Heartspring is to receive an annual return of 4.5% based on a three-year rolling average, and undistributed earnings will be retained. Principal distributions must be voted on by the Board of the Wichita Community Foundation. Heartspring has not granted variance power to the Wichita Community Foundation. The cumulative amount of the retained beneficial interest included in the statements of financial position consists of:

	2015	2014
Heartspring, Inc.	$ 609,402	$ 653,813
Heartspring Foundation	4,255,762	4,578,480
	$ 4,865,164	$ 5,232,293

Note 4: Property and Equipment

Property and equipment at June 30 consists of:

	2015	2014
Land and improvements	$ 3,470,096	$ 3,470,096
Buildings	13,223,304	13,170,404
Equipment and furnishings	2,383,068	2,495,892
	19,076,468	19,136,392
Less accumulated depreciation	8,080,984	7,656,629
	$ 10,995,484	$ 11,479,763

Note 5: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	2015	2014
Financial assistance to clients	$ 1,520,525	$ 1,563,807
Hearing Center	51,913	50,094
Pediatric Services	79,055	11,714
School	123,074	107,517
Any program	1,424	1,274
CARE	79,479	94,891
World Reach	5,442	9,381
Other	90,403	92,355
	$ 1,951,315	$ 1,931,033

Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

	2015	2014
Investment in perpetuity, the income of which is expendable to support		
General operations	$ 748,480	$ 748,480
Financial assistance to clients	1,762,631	1,762,631
Pediatric Services	4,000	4,000
Other	163,510	163,510
	$ 2,678,621	$ 2,678,621

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2015	2014
Purpose restrictions accomplished		
Financial assistance to clients	$ 247,113	$ 339,273
Hearing Center expenses	-	2,832
Pediatric Services program expenses	863	165
School program expenses	61,684	54,433
CARE	121,868	103,754
World Reach	3,939	2,407
Other	10,190	158,503
	445,657	661,367
Equipment acquired and placed in service	115,237	72,161
	$ 560,894	$ 733,528

Note 6: Endowment

Heartspring's endowment consists of approximately 25 individual funds established for a variety of purposes. The endowment consists entirely of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Heartspring's governing body has interpreted the State of Kansas Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Heartspring classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Heartspring in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Heartspring considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of Heartspring and the fund
3. General economic conditions
4. Possible effect of inflation and deflation

5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of Heartspring
7. Investment policies of Heartspring

The composition of net assets by type of endowment fund at June 30, 2015 and 2014, was:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 71,218	$ 1,601,430	$ 2,678,621	$ 4,351,269

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 92,140	$ 1,677,670	$ 2,678,621	$ 4,448,431

Changes in endowment net assets for the years ended June 30, 2015 and 2014, were:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 92,140	$ 1,677,670	$ 2,678,621	$ 4,448,431
Investment return				
Investment income	55,866	203,423	-	259,289
Net appreciation	(33,819)	(123,240)	-	(157,059)
Total investment return	22,047	80,183	-	102,230
Appropriation of endowment net assets for expenditure	(42,969)	(156,423)	-	(199,392)
Endowment net assets, end of year	$ 71,218	$ 1,601,430	$ 2,678,621	$ 4,351,269

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,566	$ 1,358,543	$ 2,678,621	$ 4,041,730
Investment return				
Investment income	66,038	240,503	-	306,541
Net appreciation	62,881	229,142	-	292,023
Total investment return	128,919	469,645	-	598,564
Appropriation of endowment net assets for expenditure	(41,345)	(150,518)	-	(191,863)
Endowment net assets, end of year	$ 92,140	$ 1,677,670	$ 2,678,621	$ 4,448,431

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level Heartspring is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated $0 at June 30, 2015 and 2014. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

Heartspring has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds Heartspring must hold in perpetuity or for donor-specified periods.

Heartspring relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). Heartspring targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Heartspring has a policy (the spending policy) of appropriating for expenditure each year 5% (percentage determined based on a three-year rolling average in agreement with the Endowment trustees and Heartspring management) of its endowment fund's fair value at the end of each calendar year preceding the year in which expenditure is planned. Heartspring's objective is to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. Permanent restrictions are limited to the amount of the original gift.

Note 7: Tax-deferred Annuity Plan

Heartspring provides a retirement annuity program for employees who meet certain length of service requirements. Heartspring contributes toward an annuity contract for each eligible employee an amount equal to 3% of the employee's annual salary. In addition, Heartspring matches voluntary contributions to the annuity contract by the employee based upon their voluntary contributions. Heartspring matches one-half of an employee's contribution up to an additional 3% of their annual salary. Heartspring's expense related to the plan was $361,926 and $344,443 in 2015 and 2014, respectively.

Note 8: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2015 and 2014:

		2015 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities	$ 4,862,506	$ 4,862,506	$ -	$ -
Corporate debt securities	6,263,260	6,014,280	248,980	-
U.S. treasury securities	129,212	129,212	-	-
Mortgage-backed securities	50,519	-	50,519	-
Money market funds	271,459	271,459	-	-
	$ 11,576,956	$ 11,277,457	$ 299,499	$ -
Interest in assets at Wichita Community Foundation	$ 4,865,164	$ -	$ -	$ 4,865,164

		2014 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Equity securities	$ 4,910,541	$ 4,910,541	$ -	$ -
Corporate debt securities	6,263,491	6,263,491	-	-
U.S. treasury securities	157,335	157,335	-	-
Mortgage-backed securities	50,626	-	50,626	-
Money market funds	138,716	138,716	-	-
	$ 11,520,709	$ 11,470,083	$ 50,626	$ -
Interest in assets at Wichita Community Foundation	$ 5,232,293	$ -	$ -	$ 5,232,293

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Interest in Assets at Wichita Community Foundation

Fair value is estimated using net asset value (NAV) as a practical expedient. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of Heartspring's management. Management reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States of America.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	Interest in Assets at Wichita Community Foundation
Balance, July 1, 2013	$ 4,699,146
Total net realized and unrealized gains included in change in net assets	533,147
Balance, June 30, 2014	5,232,293
Total net realized and unrealized losses included in change in net assets	(367,129)
Balance, June 30, 2015	$ 4,865,164

Realized and unrealized gains for items reflected in the table above are included in the change in net assets in the statement of activities.

Unobservable (Level 3) Inputs

	2015			
	Fair Value	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Interest in assets at Wichita Community Foundation	$ 4,865,164	NAV as practical expedient	NAV as practical expedient	None

	2014			
	Fair Value	**Valuation Technique**	**Unobservable Inputs**	**Range (Weighted Average)**
Interest in assets at Wichita Community Foundation	$ 5,232,293	NAV as practical expedient	NAV as practical expedient	None

Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

Heartspring invests in various investment securities both directly and through the Wichita Community Foundation. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Supplementary Information

Heartspring, Inc.
Functional Expenses
Year Ended June 30, 2015

	Program Services		
	School	Pediatric Services	Total Program Services
Salaries and wages	$ 8,414,280	$ 1,889,332	$ 10,303,612
Employee benefits	1,890,130	356,849	2,246,979
Total salaries, wages and related expenses	10,304,410	2,246,181	12,550,591
Professional fees	202,181	44,259	246,440
Supplies	302,815	83,081	385,896
Telephone	36,138	9,731	45,869
Postage and shipping	3,861	4,299	8,160
Occupancy	245,899	54,458	300,357
Rental and maintenance	171,321	30,318	201,639
Printing and publications	11,763	7,097	18,860
Travel and in-service training	155,429	70,651	226,080
Insurance	114,389	19,707	134,096
Advertising	21,922	16,151	38,073
Interest	-	-	-
Bad debt write-offs (recoveries)	(52,953)	4,780	(48,173)
Food	315,480	1,875	317,355
Utilities	189,140	38,784	227,924
Miscellaneous	100,241	17,071	117,312
Total expenses before depreciation	12,122,036	2,648,443	14,770,479
Depreciation	446,470	132,120	578,590
Total	$ 12,568,506	$ 2,780,563	$ 15,349,069

Management and General	Development	Total
$ 677,868	$ 242,315	$ 11,223,795
99,295	39,215	2,385,489
777,163	281,530	13,609,284
56,214	18,600	321,254
16,004	30,701	432,601
2,099	2,001	49,969
2,388	2,224	12,772
21,713	3,665	325,735
37,413	10,244	249,296
4,083	16,371	39,314
15,025	7,240	248,345
6,996	2,199	143,291
2,574	26,235	66,882
609	-	609
-	-	(48,173)
8,736	3,068	329,159
18,584	3,489	249,997
12,262	18,559	148,133
981,863	426,126	16,178,468
95,963	7,443	681,996
$ 1,077,826	$ 433,569	$ 16,860,464

Heartspring, Inc.
Functional Expenses
Year Ended June 30, 2014

	Program Services		
	School	Pediatric Services	Total Program Services
Salaries and wages	$ 8,281,250	$ 1,664,116	$ 9,945,366
Employee benefits	1,825,134	324,934	2,150,068
Total salaries, wages and related expenses	10,106,384	1,989,050	12,095,434
Professional fees	168,757	31,816	200,573
Supplies	202,906	48,171	251,077
Telephone	30,287	8,819	39,106
Postage and shipping	4,184	4,311	8,495
Occupancy	208,415	33,442	241,857
Rental and maintenance	127,246	17,839	145,085
Printing and publications	59,892	15,916	75,808
Travel and in-service training	185,670	78,102	263,772
Insurance	103,863	14,818	118,681
Advertising	40,887	6,773	47,660
Interest	-	-	-
Bad debt write-offs	2,182	9,641	11,823
Food	290,342	31	290,373
Utilities	179,596	30,385	209,981
Miscellaneous	87,651	14,417	102,068
Total expenses before depreciation	11,798,262	2,303,531	14,101,793
Depreciation	475,491	106,412	581,903
Total	$ 12,273,753	$ 2,409,943	$ 14,683,696

Management and General	Development	Total
$ 552,161	$ 217,653	$ 10,715,180
87,871	31,909	2,269,848
640,032	249,562	12,985,028
54,353	12,780	267,706
8,207	7,379	266,663
2,733	3,170	45,009
3,380	1,748	13,623
26,549	7,256	275,662
15,985	5,258	166,328
2,085	13,376	91,269
5,288	7,306	276,366
8,307	1,830	128,818
45	22,510	70,215
520	-	520
-	-	11,823
-	444	290,817
23,694	3,833	237,508
3,973	37,866	143,907
795,151	374,318	15,271,262
89,941	25,474	697,318
$ 885,092	$ 399,792	$ 15,968,580

Heartspring, Inc.
Schedules of Activities
Years Ended June 30, 2015 and 2014

	2015			
	Activities Exclusive of Fund Raising and Other Funds	Fund Raising	Other Funds	Total
Public Support and Revenue				
Public Support				
Contributions	$ -	$ 879,959	$ -	$ 879,959
Legacies and bequests	-	-	-	-
Total public support	-	879,959	-	879,959
Revenue				
Fees	15,110,037	-	-	15,110,037
Investment return	222,883	-	273,510	496,393
Distribution of earnings	404,985	-	(404,985)	-
Change in interest in assets held by Wichita Community Foundation	-	-	(367,129)	(367,129)
Other	111,804	-	-	111,804
Total public support, revenue and transfers	15,849,709	879,959	(498,604)	16,231,064
Expenses				
Program Services				
School	12,568,506	-	-	12,568,506
Pediatric Services	2,780,563	-	-	2,780,563
Total program services	15,349,069	-	-	15,349,069
Supporting Services				
Management and general	1,077,826	-	-	1,077,826
Fund raising	-	433,569	-	433,569
Total expenses	16,426,895	433,569	-	16,860,464
Change in Net Assets	$ (577,186)	$ 446,390	$ (498,604)	$ (629,400)

2014			
Activities Exclusive of Fund Raising and Other Funds	Fund Raising	Other Funds	Total
$ -	$ 786,470	$ -	$ 786,470
-	321,760	-	321,760
-	1,108,230	-	1,108,230
14,198,091	-	-	14,198,091
255,154	-	823,827	1,078,981
391,448	-	(391,448)	-
-	-	533,147	533,147
108,228	-	-	108,228
14,952,921	1,108,230	965,526	17,026,677
12,273,753	-	-	12,273,753
2,409,943	-	-	2,409,943
14,683,696	-	-	14,683,696
885,092	-	-	885,092
-	399,792	-	399,792
15,568,788	399,792	-	15,968,580
$ (615,867)	$ 708,438	$ 965,526	$ 1,058,097