

# Assurance

## THE CHILDREN'S HEART FOUNDATION

### AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

LOCAL  
KNOWLEDGE,  
GLOBAL  
EXPERTISE

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
The Children's Heart Foundation  
Northbrook, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Children's Heart Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*PKF Mueller*

Elgin, Illinois  
September 30, 2021

**THE CHILDREN'S HEART FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,675,068	\$ 2,024,443
Contributions Receivable	160,098	-
Prepays	109,815	102,222
Property and Equipment, Net	6,865	6,795
Security Deposit	13,000	8,806
Deposit on Trademark	-	18,662
Trademark	21,948	-
	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,986,794</u></u>	<u><u>\$ 2,160,928</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 90,556	\$ 355,004
Grants Payable	685,489	509,367
Contract Liabilities	32,673	34,533
	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>808,718</u>	<u>898,904</u>
<b>NET ASSETS</b>		
Without Donor Restriction	843,803	1,161,029
With Donor Restrictions	334,273	100,995
	<u>-</u>	<u>-</u>
	<u>1,178,076</u>	<u>1,262,024</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,986,794</u></u>	<u><u>\$ 2,160,928</u></u>

The accompanying notes are an integral part of these financial statements.

**THE CHILDREN'S HEART FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>
Revenues and Other Support:			
Donations	\$ 927,075	\$ 233,278	\$ 1,160,353
Paycheck Protection Program Grant Revenue	110,000	-	110,000
Special Events, Net of Direct Expenses (Note 6)	1,461,138	-	1,461,138
Total Support	<u>2,498,213</u>	<u>233,278</u>	<u>2,731,491</u>
 Interest and Dividend Income	 1,037	 -	 1,037
Other Income	343	-	343
Total Other Revenue	<u>1,380</u>	<u>-</u>	<u>1,380</u>
Total Support and Other Revenue	<u>2,499,593</u>	<u>233,278</u>	<u>2,732,871</u>
 Expenses:			
Program Services	1,775,575	-	1,775,575
Management and General	458,148	-	458,148
Fundraising	583,096	-	583,096
Total Expenses	<u>2,816,819</u>	<u>-</u>	<u>2,816,819</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 (317,226)	 233,278	 (83,948)
 <b>NET ASSETS - BEGINNING OF THE YEAR</b>	 <u>1,161,029</u>	 <u>100,995</u>	 <u>1,262,024</u>
 <b>NET ASSETS - END OF THE YEAR</b>	 <u><u>\$ 843,803</u></u>	 <u><u>\$ 334,273</u></u>	 <u><u>\$ 1,178,076</u></u>

The accompanying notes are an integral part of these financial statements.

**THE CHILDREN'S HEART FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>
Revenues and Other Support:			
Donations	\$ 820,210	\$ 100,995	\$ 921,205
Special Events, Net of Direct Expenses (Note 6)	2,694,681	-	2,694,681
Total Support	<u>3,514,891</u>	<u>100,995</u>	<u>3,615,886</u>
Interest and Dividend Income	612	-	612
Loss on Investments	(489)	-	(489)
Excess of Net Assets Acquired Over Consideration Paid	250,108	-	250,108
Other Income	<u>7,638</u>	<u>-</u>	<u>7,638</u>
Total Other Revenue	<u>257,869</u>	<u>-</u>	<u>257,869</u>
Total Support and Other Revenue	<u>3,772,760</u>	<u>100,995</u>	<u>3,873,755</u>
Expenses:			
Program Services	2,450,854	-	2,450,854
Management and General	744,732	-	744,732
Fundraising	<u>821,773</u>	<u>-</u>	<u>821,773</u>
Total Expenses	<u>4,017,359</u>	<u>-</u>	<u>4,017,359</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(244,599)	100,995	(143,604)
<b>NET ASSETS - BEGINNING OF THE YEAR</b>	<u>1,405,628</u>	<u>-</u>	<u>1,405,628</u>
<b>NET ASSETS - END OF THE YEAR</b>	<u><u>\$ 1,161,029</u></u>	<u><u>\$ 100,995</u></u>	<u><u>\$ 1,262,024</u></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, 2020**

	<b><u>PROGRAM SERVICES</u></b>	<b><u>MANAGEMENT AND GENERAL</u></b>	<b><u>FUNDRAISING</u></b>	<b><u>TOTAL</u></b>
Research Funding	\$ 734,326	\$ -	\$ -	\$ 734,326
Salaries, Taxes and Benefits	399,768	175,898	223,870	799,536
Insurance	5,399	2,376	3,023	10,798
Office Supplies and Postage	37,955	16,700	21,254	75,909
Professional Fees	211,676	93,137	118,538	423,351
Travel	4,314	1,898	2,416	8,628
Rent	39,764	17,496	22,268	79,528
Marketing	27,272	11,999	15,272	54,543
Fundraising	214,178	94,238	119,940	428,356
Meetings and Conferences	3,747	1,649	2,098	7,494
Depreciation	1,290	568	722	2,580
Information Technology	95,781	42,143	53,637	191,561
Miscellaneous	<u>105</u>	<u>46</u>	<u>58</u>	<u>209</u>
Total Functional Expenses	\$ 1,775,575	\$ 458,148	\$ 583,096	\$ 2,816,819
Direct Costs of Special Events	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 1,775,575</u></u>	<u><u>\$ 458,148</u></u>	<u><u>\$ 583,096</u></u>	<u><u>\$ 2,816,819</u></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, 2019**

	<b><u>PROGRAM SERVICES</u></b>	<b><u>MANAGEMENT AND GENERAL</u></b>	<b><u>FUNDRAISING</u></b>	<b><u>TOTAL</u></b>
Research Funding	\$ 1,400,166	\$ -	\$ -	\$ 1,400,166
Public Education and Advocacy	49,152	-	-	49,152
Salaries, Taxes and Benefits	248,074	184,465	203,548	636,087
Insurance	3,538	2,631	2,904	9,073
Office Supplies and Postage	16,904	12,570	13,870	43,344
Professional Fees	106,624	79,285	87,487	273,396
Travel	10,970	8,157	9,001	28,128
Rent	27,180	20,211	22,301	69,692
Marketing	44,116	32,804	36,198	113,118
Fundraising	475,393	353,497	390,066	1,218,956
Meetings and Conferences	19,325	14,370	15,856	49,551
Depreciation	977	726	801	2,504
Information Technology	48,197	35,839	39,546	123,582
Miscellaneous	<u>238</u>	<u>177</u>	<u>195</u>	<u>610</u>
Total Functional Expenses	\$ 2,450,854	\$ 744,732	\$ 821,773	\$ 4,017,359
Direct Costs of Special Events	<u>-</u>	<u>-</u>	<u>99,571</u>	<u>99,571</u>
Total Expenses	<u><u>\$ 2,450,854</u></u>	<u><u>\$ 744,732</u></u>	<u><u>\$ 921,344</u></u>	<u><u>\$ 4,116,930</u></u>

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (83,948)	\$ (143,604)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used in) Operating Activities:		
Depreciation	2,580	2,504
Loss on Investments	-	489
Excess of Net Assets Acquired Over Consideration Paid	-	(250,108)
Changes in:		
Increase (Decrease) in Contributions Receivable	(160,098)	61,389
Increase in Prepaids	(7,593)	(27,954)
Increase in Security Deposit	(4,194)	(8,806)
Increase (Decrease) in Deposit on Trademark	5,000	(1,570)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(264,448)	268,322
Increase in Grants Payable	176,122	434,367
Decrease in Contract Liabilities	(1,860)	(28,452)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(338,439)</u>	<u>306,577</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	-	14,456
Purchase of Trademark	(8,286)	-
Purchase of Equipment	(2,650)	(7,138)
Cash Received from Acquisition of Regions	-	71,057
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(10,936)</u>	<u>78,375</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	(349,375)	384,952
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>2,024,443</u>	<u>1,639,491</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 1,675,068</u></u>	<u><u>\$ 2,024,443</u></u>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Deposit on Trademark used to Purchase Trademarks	<u><u>\$ 13,662</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

## **THE CHILDREN'S HEART FOUNDATION NOTES TO FINANCIAL STATEMENTS**

### **1. FOUNDATION**

The Children's Heart Foundation (Foundation), an Illinois not-for-profit corporation, is a national foundation 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 114 research projects, totaling approximately \$13,300,000 to date. Each year the Foundation, through its regions, partners and other supporters, supports, promotes and/or receives benefits from fundraisers held throughout the country.

As of January 1, 2019, the Foundation had ten local chapters activity combine into the Foundation and treated as an acquisition. These chapters all ceased operations as of December 31, 2018 and the regions remaining cash was transferred to the Foundation. As a result of this transaction, cash was increased and the Foundation recognized the gain of \$250,108 which is included in excess of net assets acquired over consideration paid on the statement of activities. There were no other assets or liabilities transferred. As of December 31, 2018, \$179,051 was received by the Foundation and the remaining funds of \$71,057 were transferred to the Foundation during 2019.

### **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 Foundation 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 2017.

#### **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. Contributions Receivable**

Contributions receivable consist of promises to give from various donors that are expected to be collected in less than one year. Unconditional promises to give expected to be collected in future years are initially recorded at the present value of estimated future cash flows. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2020, an allowance for uncollectible promises to give was not deemed necessary.

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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 without donor restricted 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: Accounting Standards Codification (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.

Foundations 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, 2020 and 2019.
- 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, 2020 and 2019.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

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.

During 2019, the Foundation liquidated all of its investments and there were no balances as of December 31, 2020 and 2019.

For the years ended December 31, 2020 and 2019, there were no significant transfers in or out of Level 3.

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property and Equipment**

The Foundation 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 without donor restricted 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 with donor restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Foundation reclassifies net assets with donor restriction to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives over five years. Depreciation expense was \$2,580 and \$2,504 for the years ended December 31, 2020 and 2019, respectively.

**G. Trademark**

The trademark is considered an indefinite-lived intangible and in accordance with ASC 350, *Intangibles – Goodwill and Other* (“ASC 350”), indefinite-lived intangible assets are not amortized. The Foundation assesses its trademark for impairment at least annually. If the asset is determined to be impaired, the difference between the book value of the asset and its current fair value would be recognized as an expense in the period in which the impairment is determined. As of December 31, 2020 there was no impairment of the trademark.

**H. Concentration of Credit Risk**

The Foundation maintains its cash balances at two high credit quality financial institutions located in Illinois. At times the Foundations balance may exceed the Federal Deposit Insurance Corporation limits. The Foundation has not experienced, nor does it expect to experience, any losses in such accounts.

**I. Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – 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 as it relates to research. Restrictions that are met in the same reporting period are classified as net assets without donor restrictions.

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. 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.

All donor-restricted support is reported as an increase in with donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restrictions ends or a purpose restriction is accomplished), with donor restricted net assets, they are reclassified to without donor restricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions for which restrictions are met in the same accounting period are recorded as without donor restricted contributions.

Conditional promises (those with a measurable performance or other barrier and a right of return) is recognized when the underlying conditions are met. Cash received in advance of these conditions being met is recorded as refundable advances. The Foundation reports conditional promises with donor restrictions as increases in net assets without donor restrictions when both the condition and restrictions are satisfied. As of December 31, 2020 and 2019, there were no conditional promises to give.

**K. Donated Services and In-Kind Contributions**

The Foundation receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. These services are not recognized in the financial statements as they do not meet criteria under accounting principles generally accepted in the United State of America.

**L. Advertising Costs**

Advertising costs are expensed as incurred were \$49,543 and \$81,682 during the years ended December 31, 2020 and 2019, respectively and are recorded in marketing expense on the statement of functional expenses.

**M. Functional Expenses**

The costs of program, management and general and fundraising activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs, management and general and fundraising benefited.

The financial statements report certain categories of expenses that are attributable to more than one category on the statement of functional expenses. Therefore, expenses require allocation on a reasonable basis that is consistently applied. These expenses have been allocated on the basis of estimates of time and effort for all expenses except for research funding and public education and advocacy which are program related.

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. Going Concern Evaluation

In accordance with accounting principles generally accepted in the United States of America, management performed an evaluation to determine if adverse conditions or events, considered in the aggregate, raise substantial doubt about the Foundation's ability to continue as a going concern for the one-year period from the date the consolidated financial statements are available to be issued. Management's assessment did not identify any conditions or events raising substantial doubt about the Foundation's ability to continue as a going concern for the period from September 30, 2021 to September 30, 2022.

O. Change in Accounting Policy – Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement, which modifies certain disclosure requirements for reporting fair value measurements. The Foundation adopted ASU 2018-13 as of January 1, 2020 and has adjusted the presentation in these financial statements accordingly. The adoption did not have a material impact on the Foundation's disclosures related to fair value measurements.

P. New Accounting Standard – Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the balance sheet. The ASUs are effective for fiscal years beginning after December 15, 2021 and interim periods beginning after December 15, 2022. Early adoption is permitted. The Foundation is currently evaluating the methods of adoption allowed and the effect that adoption is expected to have on its financial position, changes in net assets and cash flows and related disclosures.

**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**3. LIQUIDITY AND AVAILABILITY**

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

Financial assets at year-end:

		<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$	1,675,068	2,024,443
Contributions Receivable		<u>160,098</u>	<u>-</u>
	\$	<u>1,835,166</u>	<u>2,024,443</u>
Less: amounts not available for general expenditures within one year, due to:			
Donor-restricted for a specific purpose	\$	<u>334,273</u>	<u>100,995</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>1,500,893</u>	<u>1,923,448</u>

As part of the Foundation's liquidity management plan, cash in excess of current needs for expenses are invested or kept in cash. The Foundation aims to have enough liquid funds on hand to pay for one year of budgeted research expenditures.

**4. PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, pursuant to the Coronavirus Aid, Relief, and Economic Security Act, the Foundation applied for a forgivable \$110,000 Paycheck Protection Program (PPP) loan. The loan was to be forgiven as long as the proceeds were used to cover payroll costs and most mortgage interest rent and utility costs over the eight-week period after the loan was made. In addition, employee and compensation levels were required to be maintained. The Foundation elected to treat the PPP loan in accordance with the FASB ASU Topic 958 as it relates to conditional government grants. As a result, the Foundation recognized contribution revenue for the year ended December 31, 2020 in an amount equal to qualifying expenses incurred by the Foundation. As of December 31, 2020, \$110,000 was recorded as grant revenue in the statements of activities. The entire amount of the loan was forgiven during December 2020.

Pursuant to the 2021 Consolidated Appropriations Act (CAA), the Foundation applied for a second \$133,600 PPP loan and received the funds on January 26, 2021. The loan is intended to be forgiven if the proceeds are used to cover eligible expenses enumerated in the CAA, including that at least 60% be used to cover eligible payroll expenses. In addition, the Foundation must maintain employee and compensation levels. The interest rate on the loan is 1% and has a maturity date of January 26, 2026. The Foundation intends to comply with all requirements to qualify for loan forgiveness.



**THE CHILDREN'S HEART FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**

**5. GRANTS**

During 2019, the Foundation approved seven research grants totaling \$1,445,968 to fund studies on congenital heart defects and a refund of an award of \$45,802. The grants for 2019 were as follows: \$601,601 to American Heart Association, \$300,000 to University of Michigan, \$196,409 to University of Maryland Children's Hospital, \$192,958 to Johns Hopkins University School of Medicine, \$120,000 to University of Pittsburgh and \$35,000 to American Academy of Pediatrics.

During 2019, the Foundation awarded two conditional grants (included in amounts above) for which the expenses cannot be recognized by the Foundation until the awardees meet the conditions in the agreement. During 2019, the Foundation awarded grants to the American Heart Association and to the University of Michigan in the amounts of approximately \$ 6,800,000 and \$1,500,000, respectively. In return the American Heart Association will fund \$7,500,000 of additional congenital heart defect research over no more than 10 years. As of December 31, 2019, the remaining conditional payments were approximately \$6,200,000 and \$1,200,000, respectively.

During 2020, the Foundation approved two research grants totaling \$234,326 to fund studies on congenital heart defects. The grants for 2020 were as follows: \$199,326 to Caitlin Rollins and \$35,000 to American Academy of Pediatrics. In addition, the Foundation awarded \$500,000 from conditional research grants agreed upon in 2019 that were recognized in 2020 as the awardees met the conditions in the agreement. Those awards consisted of \$300,000 to University of Michigan and \$200,000 to the American Heart Association. As of December 31, 2020, the remaining conditional payments for those grants were approximately \$900,000 and \$6,000,000, respectively.

**6. SPECIAL EVENTS**

The Foundation is the beneficiary of several fundraising events throughout the country. The revenue from these special events for the years ended December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Children Heart Foundation-Walk Events	\$ 1,032,730	1,567,486
Children Heart Foundation-Non Walk Events	363,839	1,020,211
Third Party Events	<u>64,569</u>	<u>206,555</u>
	1,461,138	2,794,252
Less Direct Expenses	( <u>          </u> )	( <u>99,571</u> )
	\$ <u><u>1,461,138</u></u>	<u><u>2,694,681</u></u>

**THE CHILDREN'S HEART FOUNDATION  
NOTES TO FINANCIAL STATEMENTS**

**7. OPERATING LEASES**

The Foundation is obligated under certain operating leases for office space which expire on June 30, 2022.

Total rent expense under operating leases amounted to \$79,528 and \$69,692 for the years ended December 31, 2020 and 2019, respectively.

The aggregate future minimum lease commitment on these leases as of December 31, 2020 is as follows:

2021	\$	52,896
2022		12,816

**8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through September 30, 2021, the date that the financial statements were available for issue.

**9. IMPACT OF COVID-19**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. As a result, the Foundation substantially either cancelled or rescheduled all special events to virtual environments, resulting in a negative impact to revenue. The Foundation mitigated the impact of the pandemic through different appeals and increased efforts on individual donations. Therefore, while it is expected that this matter will continue to negatively impact the Foundation's financial position and changes in net assets, the related financial impact cannot be reasonably estimated at this time. As a result, the Foundation is leveraging its statement of financial position and has received a PPP loan during 2020 in the amount of \$110,000, which was forgiven, as discussed in Note 4. In addition, the Foundation also received a second PPP loan during January 2021 in the amount of \$133,600. These initiatives are expected to increase its cash position and help preserve financial flexibility.

**10. COMMITMENTS AND CONTINGENCIES**

The \$110,000 PPP loan and its forgiveness are subject to examination under the terms of the agreement with the SBA for a period of six years from the date the loan is forgiven. The Foundation is not currently under examination nor has the Foundation been contacted.