

Assurance

CHILDREN'S HEART FOUNDATION

AUDITED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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**CHILDREN'S HEART FOUNDATION
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

CONTENTS

	<u>PAGE</u>
Financial Statements	
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-16

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Children's Heart Foundation

Opinion

We have audited the accompanying financial statements of Children's Heart Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Heart Foundation as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Heart Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Heart Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Heart Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Heart Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PKF Mueller

**CHILDREN'S HEART FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS

	2021	2020
Cash and cash equivalents	\$ 2,387,696	1,675,068
Contributions receivable	145,134	160,098
Prepaid expenses	121,339	109,815
Property and equipment, net	3,958	6,865
Security deposit	5,526	13,000
Trademark	21,948	21,948
Total assets	\$ 2,685,601	1,986,794

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 158,037	90,556
Grants payable	816,351	685,489
Contract liabilities	254,625	32,673
Total liabilities	1,229,013	808,718

Net assets:

Without donor restrictions	1,286,371	843,803
With donor restrictions	167,217	334,273
Total net assets	1,453,588	1,178,076
Total liabilities and net assets	\$ 2,682,601	1,986,794

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

**CHILDREN'S HEART FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:			
Donations	\$ 849,683	261,301	1,110,984
Paycheck Protection Program grant revenue	133,600	-	133,600
Special events	2,055,858	1,115	2,056,973
Net assets released from restrictions	<u>429,472</u>	<u>(429,472)</u>	<u>-</u>
Total support	<u>3,468,613</u>	<u>(167,056)</u>	<u>3,301,557</u>
Interest income	188	-	188
Other income	<u>21,993</u>	<u>-</u>	<u>21,993</u>
Total other revenue	<u>22,181</u>	<u>-</u>	<u>22,181</u>
Total support and revenue	<u>3,490,794</u>	<u>(167,056)</u>	<u>3,323,738</u>
Expenses:			
Program services	2,166,348	-	2,166,348
Management and general	304,985	-	304,985
Fundraising	<u>573,893</u>	<u>-</u>	<u>573,893</u>
Total expenses	<u>3,045,226</u>	<u>-</u>	<u>3,045,226</u>
Change in net assets	445,568	(167,056)	278,512
Net assets, beginning of year	<u>843,803</u>	<u>334,273</u>	<u>1,178,076</u>
Net assets, end of year	<u>\$ 1,289,371</u>	<u>167,217</u>	<u>1,456,588</u>

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

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

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and revenue:			
Donations	\$ 927,075	233,278	1,160,353
Paycheck Protection Program grant revenue	110,000	-	110,000
Special events	1,461,138	-	1,461,138
Total support	2,498,213	233,278	2,731,491
Interest income	1,037	-	1,037
Other income	343	-	343
Total other revenue	1,380	-	1,380
Total support and revenue	2,499,593	233,278	2,732,871
Expenses:			
Program services	1,810,537	-	1,810,537
Management and general	339,233	-	339,233
Fundraising	667,049	-	667,049
Total expenses	2,816,819	-	2,816,819
Change in net assets	(317,226)	233,278	(83,948)
Net assets, beginning of year	1,161,029	100,995	1,262,024
Net assets, end of year	\$ 843,803	334,273	1,178,076

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

**CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	<u>SUPPORTING SERVICES</u>			<u>TOTAL</u>
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
Research funding	\$ 1,051,688	-	-	1,051,688
Salaries, taxes, and benefits	510,006	223,339	206,239	939,584
Insurance	5,288	2,316	2,139	9,743
Office supplies and postage	6,595	2,888	2,667	12,150
Professional fees	114,800	50,273	46,423	211,496
Travel	244	107	98	449
Rent and utilities	31,912	13,975	12,905	58,792
Advertising	5,765	-	17,293	23,058
Special events	412,450	-	274,967	687,417
Meeting and conferences	702	308	284	1,294
Depreciation	1,578	691	638	2,907
Information technology	19,369	8,482	7,833	35,684
Miscellaneous	5,951	2,606	2,407	10,964
Total expenses	<u>\$ 2,166,348</u>	<u>304,985</u>	<u>573,893</u>	<u>3,045,226</u>

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

**CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	<u>SUPPORTING SERVICES</u>			<u>TOTAL</u>
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	
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	9,142	4,022	5,119	18,283
Professional fees	211,676	93,137	118,538	423,351
Travel	4,314	1,898	2,416	8,628
Rent and utilities	39,764	17,496	22,268	79,528
Advertising	13,636	-	40,907	54,543
Special events	291,589	-	194,393	485,982
Meeting 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	105	46	58	209
Total expenses	<u>\$ 1,810,537</u>	<u>339,233</u>	<u>667,049</u>	<u>2,816,819</u>

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

**CHILDREN'S HEART FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash provided (used) by operating activities:		
Change in net assets	\$ 278,512	(83,948)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,907	2,580
Changes in:		
Contributions receivable	14,964	(160,098)
Prepaid expenses	(11,524)	(7,593)
Security deposit	7,474	(4,194)
Deposit on trademark	-	5,000
Accounts payable and accrued expenses	67,481	(264,448)
Grants payable	130,862	176,122
Contract liabilities	221,952	(1,860)
Net cash provided (used) by operating activities	712,628	(338,439)
Cash used by investing activities:		
Purchase of trademark	-	(8,286)
Purchase of equipment	-	(2,650)
Net cash used by investing activities	-	(10,936)
Net increase (decrease) in cash and cash equivalents	712,628	(349,375)
Cash and cash equivalents, beginning of year	1,675,068	2,024,443
Cash and cash equivalents, end of year	\$ 2,387,696	1,675,068
Noncash investing transactions:		
Deposit on trademark used to purchase trademarks	\$ -	13,662

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

CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - NATURE OF OPERATIONS

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 119 research projects, totaling approximately \$14,400,000 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations (U.S. GAAP).

Income Taxes

The Foundation has been determined to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for either federal or state income taxes.

The Foundation has evaluated the tax positions taken for all open tax years. Currently, the 2018, 2019, and 2020 tax years are open and subject to examination by the Internal Revenue Service; however, the Foundation is not currently under audit nor has the Foundation been contacted by this jurisdiction.

Based on the evaluation of Foundation's tax positions, management believes all positions would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2021 and 2020.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

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, 2021 and 2020, an allowance for uncollectible promises to give was not deemed necessary.

**CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 \$2,907 and \$2,580 for the years ended December 31, 2021 and 2020, respectively.

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, 2021 and 2020 there was no impairment of the trademark.

Concentration of Credit Risk

The Foundation maintains its cash balances at two high credit quality financial institutions located in Illinois. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times the Foundation’s cash deposits were in excess of the FDIC limit. However, the Foundation believes it is not exposed to any significant risk on cash.

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-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities 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.

CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Conditional promises (those with a measurable performance or other barrier and a right of return) are 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, 2021 and 2020, there were no conditional promises to give.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's fundraising and special projects however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. The Foundation recognizes contributed services at their fair value if the services have value to the Foundation and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. No significant contributions of such goods or services were received during the years ended December 31, 2021 and 2020, respectively.

Paycheck Protection Program Loan

In April 2020, the Foundation received proceeds in the amount of \$110,000 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans and accrued interest are forgivable to the extent the criteria established in the CARES Act are met.

Pursuant to the 2021 Consolidated Appropriations Act (CAA), the Foundation applied for a second \$133,600 PPP loan (PPP2 loan) and received the proceeds on January 26, 2021. The PPP2 loan and accrued interest are forgivable to the extent the criteria established in the CAA are met.

CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Paycheck Protection Program Loan, Continued

Given Congress' intent to have the proceeds of the PPP loans forgiven by meeting specific criteria, the Foundation has elected to treat the PPP loans in accordance with the conditional government grants model in accordance with FASB ASC 958-605. The Foundation initially recorded the loan as a refundable advance and subsequently recognized PPP grant revenue in accordance with the guidance for conditional government grants; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Foundation has recognized \$133,600 and \$110,000 as PPP grant revenue for the years ended December 31, 2021 and 2020, respectively.

The Foundation applied for and received forgiveness of the full proceeds plus interest of the first and second PPP loan on December 3, 2020 and November 4, 2021, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$23,058 and \$54,543 for the years ended December 31, 2021 and 2020, respectively, and is included with marketing expenses in the statements of functional expenses.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, information technology, meetings and conferences, special events, advertising, office supplies and postage, professional fees, rent and utilities, salaries, taxes, and benefits, travel, insurance, and miscellaneous which are allocated on the basis of estimates of time and effort.

Going Concern Evaluation

In accordance with U.S. GAAP, 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 June 23, 2022 to June 23, 2023.

**CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The key provisions of ASU No. 2020-07 are 1) a requirement to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities and 2) disclosure of contributed nonfinancial assets disaggregated by type, which includes information about monetization and utilization, donor restrictions, and the valuation techniques used. ASU No. 2020-07 should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Foundation is currently evaluating the effect that adoption is expected to have on its consolidated statements of activities, functional expenses, and related disclosures.

New Accounting Standard – Leases

In February 2016, 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 (ROU) assets and lease liabilities for operating leases in the consolidated statements of financial position. The ASUs are effective for fiscal years beginning after December 15, 2021. 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 consolidated financial position, changes in net assets, cash flows, and related disclosures.

Subsequent Events

Subsequent events have been evaluated through June 23, 2022, the date that the financial statements were available to be issued.

Subsequent to year end, the Foundation entered into an agreement on April 4, 2022 with Mend a Heart Foundation to establish the Mend a Heart Foundation Fund in the amount of \$200,000 for one year plus an 8% administrative fee. The Foundation is responsible for administering Mend a Heart Foundation's research funding. The Foundation received the \$216,000 in full on April 20, 2022.

NOTE 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 date of the statement of financial position, comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,387,696	1,675,068
Contributions receivable	<u>145,134</u>	<u>160,098</u>
Total financial assets	<u>2,532,830</u>	<u>1,835,166</u>

**CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 3 - LIQUIDITY AND AVAILABILITY, CONTINUED

Less: amounts not available for general expenditures within one year,
due to:

Donor-restricted for a specific purpose	167,217	334,273
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,365,613	1,500,893

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.

NOTE 4 - GRANTS PAYABLE

During 2019, the Foundation awarded two conditional grants (included in the amounts below) 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.

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 paid \$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 payments 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.

During 2021, the Foundation approved two research grants totaling \$491,688 to fund studies on congenital heart defects. The grants for 2021 were as follows: \$194,153 to Shabnam Peyvandi, MD and \$297,535 to Eduardo Divo, PhD. In addition, the Foundation paid \$560,000 from conditional research grants agreed upon in 2019 and 2020 that were recognized in 2021 as the awardees met the conditions in the agreement. Those payments consisted of \$300,000 to University of Michigan, \$225,000 to the American Heart Association, and \$35,000 to American Academy of Pediatrics. As of December 31, 2021, the remaining conditional payments for the University of Michigan and American Heart Association grants were approximately \$600,000 and \$5,775,000, respectively.

NOTE 5 - OPERATING LEASES

The Foundation is obligated under office space operating leases which expire on June 30, 2023. Additionally, the office space leases require the Foundation to be responsible for the real estate taxes, all utilities, repairs and maintenance of the facilities, and adequate insurance on the facilities.

Total rent expense under all operating leases amounted to \$58,792 and \$79,528 for the years ended December 31, 2021 and 2020, respectively, and is included with rent and utilities in the statements of functional expenses.

**CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

NOTE 5 - OPERATING LEASES, CONTINUED

The aggregate future minimum lease commitment on these leases as of December 31, 2021 is as follows:

2022	\$	30,804
2023		8,994

NOTE 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Children Heart Foundation - Walk Events	\$ 1,628,077	1,032,730
Children Heart Foundation - Non Walk Events	324,500	363,839
Third party events	<u>104,396</u>	<u>64,569</u>
 Total special events	 <u>\$ 2,056,973</u>	 <u>1,461,138</u>

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Groom Research Fund	\$ 12,500	112,760
Cortney Barnett Research Fund	-	171,984
Guzzo Fund	-	200
Szymczak Fund	102,511	26,546
John Dimitri Fund	40,000	10,000
Micah Mason Fund	12,206	-
Other	<u>-</u>	<u>12,783</u>
	 <u>\$ 167,217</u>	 <u>334,273</u>

NOTE 8 - 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 in certain parts of the world. As a result, in 2021, the Foundation was not able to have in person walk fundraisers for the first half of the year, resulting in a negative impact to revenue. In the second half of the year, the Foundation was able to have in person events which had a positive impact to the revenues. Management continues to actively monitor the global situation in order to mitigate any potential future impact on the Foundation's changes in net assets and financial performance.

CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9 - CONTINGENCY

The \$110,000 Paycheck Protection Program (PPP) loan (loan 1), \$133,600 second PPP loan (loan 2), and their forgiveness are subject to examination under the terms of the agreement with the Small Business Administration for a period of six years from the date the PPP loans are forgiven, which was December 2020 for loan 1 and November 2021 for loan 2. The Foundation is not currently under examination nor has the Foundation been contacted.

NOTE 10 - RECLASSIFICATIONS

Certain amounts in the December 31, 2020 financial statements have been reclassified to conform to the December 31, 2021 presentation.