

CHILDREN'S HEART FOUNDATION
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022 AND 2021
TOGETHER WITH AUDITOR'S REPORT

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, 2022 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, 2022 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.

Prior Period Financial Statements

The financial statements of Children's Heart Foundation as of December 31, 2021 were audited by other auditors whose report dated June 23, 2022 expressed an unmodified opinion on those statements.

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.

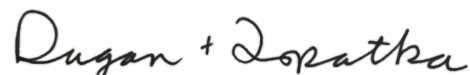
In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Heart Foundation's ability to continue as a going concern within one year after the date that the financial statements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



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CHILDREN'S HEART FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,057,636	\$ 2,387,696
Contributions receivable	460,120	145,134
Prepaid expenses	68,881	121,339
Total current assets	<u>3,586,637</u>	<u>2,654,169</u>
PROPERTY AND EQUIPMENT, at cost:		
Equipment and software	28,258	28,258
Less - Accumulated depreciation	<u>(26,544)</u>	<u>(24,300)</u>
Net property and equipment	<u>1,714</u>	<u>3,958</u>
OTHER ASSETS:		
Security deposit	5,526	5,526
Trademark	<u>21,948</u>	<u>21,948</u>
Total other assets	<u>27,474</u>	<u>27,474</u>
Total assets	<u>\$ 3,615,825</u>	<u>\$ 2,685,601</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 167,483	\$ 158,037
Grants payable	1,083,555	816,351
Deferred revenue	<u>39,590</u>	<u>254,625</u>
Total current liabilities	<u>1,290,628</u>	<u>1,229,013</u>
NET ASSETS:		
Without donor restrictions	1,956,404	1,289,371
With donor restrictions	<u>368,793</u>	<u>167,217</u>
Total net assets	<u>2,325,197</u>	<u>1,456,588</u>
Total liabilities and net assets	<u>\$ 3,615,825</u>	<u>\$ 2,685,601</u>

The accompanying notes are an integral part of this statement.

CHILDREN'S HEART FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:						
Donations	\$ 885,535	\$ 816,376	\$ 1,701,911	\$ 849,683	\$ 261,301	\$ 1,110,984
Paycheck protection program grant revenue	-	-	-	133,600	-	133,600
Special events	3,079,399	-	3,079,399	2,055,858	1,115	2,056,973
Net assets released from restrictions -	614,800	(614,800)	-	429,472	(429,472)	-
 Total public support	 4,579,734	 201,576	 4,781,310	 3,468,613	 (167,056)	 3,301,557
 Interest income	 4,020	 -	 4,020	 188	 -	 188
Other income	3,329	-	3,329	21,993	-	21,993
 Total other revenue	 7,349	 -	 7,349	 22,181	 -	 22,181
 Total support and other revenue	 4,587,083	 201,576	 4,788,659	 3,490,794	 (167,056)	 3,323,738
FUNCTIONAL EXPENSES:						
Program services	2,802,183	-	2,802,183	2,166,348	-	2,166,348
Management and general	362,522	-	362,522	304,985	-	304,985
Fundraising	755,345	-	755,345	573,893	-	573,893
 Total functional expenses	 3,920,050	 -	 3,920,050	 3,045,226	 -	 3,045,226
 CHANGE IN NET ASSETS	 667,033	 201,576	 868,609	 445,568	 (167,056)	 278,512
 NET ASSETS, Beginning of year	 1,289,371	 167,217	 1,456,588	 843,803	 334,273	 1,178,076
 NET ASSETS, End of year	 \$ 1,956,404	 \$ 368,793	 \$ 2,325,197	 \$ 1,289,371	 \$ 167,217	 \$ 1,456,588

The accompanying notes are an integral part of this statement.

CHILDREN'S HEART FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ 868,609	\$ 278,512
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	2,244	2,907
Change in assets and liabilities:		
(Increase) decrease in contributions receivable	(314,986)	14,964
(Increase) decrease in prepaid expenses	52,458	(11,524)
Decrease in security deposits	-	7,474
Increase in accounts payable and accrued expenses	9,446	67,481
Increase in grants payable	267,204	130,862
Increase (decrease) in deferred revenue	(215,035)	221,952
Net adjustments	(198,669)	434,116
Net cash provided by operating activities	669,940	712,628
NET CHANGE IN CASH AND CASH EQUIVALENTS	669,940	712,628
CASH AND CASH EQUIVALENTS, Beginning of year	2,387,696	1,675,068
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 3,057,636</u>	<u>\$ 2,387,696</u>

The accompanying notes are an integral part of this statement.

CHILDREN'S HEART FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Research funding	\$ 1,421,792	\$ -	\$ -	\$ 1,421,792
Salaries, taxes, and benefit	559,527	263,763	250,020	1,073,310
Insurance	5,350	2,522	2,390	10,262
Office supplies and postage	15,076	7,107	6,736	28,919
Professional fees	35,553	16,759	15,886	68,198
Travel	4,186	1,973	1,870	8,029
Rent and utilities	11,986	5,650	5,356	22,992
Advertising	1,774	-	5,322	7,096
Special events	609,586	-	406,390	1,015,976
Meetings and conferences	48,714	22,964	21,767	93,445
Depreciation	1,170	551	523	2,244
Information technology	83,820	39,513	37,454	160,787
Miscellaneous	3,649	1,720	1,631	7,000
	<u>\$ 2,802,183</u>	<u>\$ 362,522</u>	<u>\$ 755,345</u>	<u>\$ 3,920,050</u>

The accompanying notes are an integral part of this statement.

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

	Program Services	Management and General	Fundraising	Total
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
Meetings 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
	<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 this statement.

CHILDREN'S HEART FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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.

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 2019, 2020, and 2021 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, 2022 and 2021.

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, 2022 and 2021, an allowance for uncollectible promises to give was not deemed necessary.

(1) NATURE OF ACTIVITIES AND SUMMARY OF 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 \$2,244 and \$2,907 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 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.

Basis of Presentation -

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of management and the board of directors.

With donor restrictions - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

(1) NATURE OF ACTIVITIES AND SUMMARY OF 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 restriction 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, 2022 and 2021, 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, 2022 and 2021, respectively.

Paycheck Protection Program Loan (PPP loan) -

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.

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 \$-0- and \$133,600 as PPP grant revenue for the years ended December 31, 2022 and 2021, respectively.

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

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Advertising -

Advertising costs are expensed as incurred. Advertising expense was \$7,096 and \$23,058 for the years ended December 31, 2022 and 2021, 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.

Leases -

The Foundation determines if an arrangement is a lease or contains a lease at inception of the contract. The Foundation's operating leases are presented in operating lease right-of-use assets, current portion of operating lease liabilities, and long-term portion of operating lease liabilities in the accompanying statement of financial position as of December 31, 2022.

Operating lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of the Foundation's leases do not specify their implicit rate, the Foundation has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Foundation, less any lease incentives the Foundation receives from the lessor. The Foundation has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of the Foundation's leases generally contain lease payments and reimbursements to the lessor of the Foundation's proportionate share of common area maintenance (CAM), real estate taxes and other pass-through charges. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Foundation has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

Leases - (Continued)

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components include CAM, real estate taxes and other charges and are recorded as lease expense as incurred.

The Foundation's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether the Foundation will exercise the renewal options is generally at the Foundation's sole discretion. The Foundation includes lease extensions in the lease term when it is reasonably certain that the Foundation will exercise the extension.

New Accounting Pronouncement -

Effective January 1, 2022, the Foundation adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of the Foundation's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the balance sheet as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the Foundation is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that the Foundation is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of January 1, 2022. Consequently, the 2021 financial statements and disclosures do not reflect the effects of implementing the new lease standard. Upon implementation, the Foundation elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits the Foundation to carry forward the historical lease identification, classification and initial direct costs associated with the Foundation's pre-existing leases. The implementation of the amendments did not materially impact the Foundation's net earnings or cash flows.

Deferred Revenue -

Deferred Revenue includes revenue resulting from the Foundation recognizing registration and gift revenue designated for specific walks or gala in the period the event occurs.

(2) 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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,057,636	\$ 2,387,696
Contributions receivable	<u>460,120</u>	<u>145,134</u>
Total financial assets	3,517,756	2,532,830
Less: amounts not available for general expenditures within one year, due to:		
Donor-restricted for a specific purpose or research grant payable	<u>1,452,348</u>	<u>983,568</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,065,408</u>	<u>\$ 1,549,262</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 six to nine months of budgeted unrestricted expenditures.

(3) 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 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.

(3) GRANTS PAYABLE: (Continued)

During 2022, the Foundation approved three research grants totaling \$786,713 to fund studies on congenital heart defects. The grants for 2022 were as follows: \$199,667 to Samantha Butler, MD, \$187,046 to Nimrod Goldshtroum, MD, and \$400,000 to Vahid Serpooshan, MD. In addition, the Foundation paid \$635,000 from conditional research grants agreed upon in previous years that were recognized in 2022 as the awardees met the conditions in the agreement. Those payments consisted of \$300,000 to University of Michigan, \$300,000 to the American Heart Association, and \$35,000 to American Academy of Pediatrics. As of December 31, 2022, the remaining conditional payments for the University of Michigan and American Heart Association grants were approximately \$300,000 and \$5,475,000, respectively.

(4) 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 \$22,992 and \$58,792 for the years ended December 31, 2022 and 2021, respectively, and is included with rent and utilities in the statements of functional expenses.

The aggregate future minimum lease commitment on these leases as of December 31, 2022 is as follows:

2023	\$	8,994
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(5) 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Children's Heart Foundation - Walk Events	\$ 2,020,569	\$ 1,628,077
Children's Heart Foundation - Non Walk Events	903,838	324,500
Third party events	<u>154,992</u>	<u>104,396</u>
Total special events	<u>\$ 3,079,399</u>	<u>\$ 2,056,973</u>

(6) NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes or periods for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Groom Research Fund	\$ 25,000	\$ 12,500
Matching from the Heart	100,606	-
Mend a Heart Foundation	12,954	-
Szymczak Fund	148,027	102,511
John Dimitri Fund	50,000	40,000
Micah Mason Fund	<u>32,206</u>	<u>12,206</u>
	<u>\$ 368,793</u>	<u>\$ 167,219</u>

(7) DEFERRED REVENUE:

Deferred revenue consists of revenue received for special events that will occur after the fiscal year end. The following table provides information about significant changes in deferred revenue as of June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of the year	\$ 254,625	\$ 28,848
Revenue recognized that was included in deferred revenue at the beginning of the year	(254,625)	(28,848)
Increase in deferred revenue due to cash received during the year	<u>39,590</u>	<u>254,625</u>
Deferred revenue, end of the year	<u>\$ 39,590</u>	<u>\$ 254,625</u>

(8) SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 30, 2023 the date that the financial statements were available to be issued.

In March 2023, the Foundation entered into a new office space operating lease agreement. The term of the lease will begin on July 1, 2023, and expire on June 30, 2025, and will require monthly lease payments of \$1,737.

In May 2023, the Foundation amended their agreement with the American Heart Association (see footnote 3). As per the amended agreement, the remaining conditional payments for the American Heart association will be \$300,000 annually from September 30, 2023, to 2027 total \$1,500,000.