

CHILDREN'S HEARTLINK
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

**CHILDREN'S HEARTLINK
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's HeartLink
Minneapolis, Minnesota

We have audited the accompanying financial statements of Children's HeartLink (the Organization) which comprise the statements of financial position as of June 30, 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.

Auditors' 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 audit 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 auditors' 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.

Board of Directors
Children's HeartLink

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's HeartLink as of June 30, 2020 and 2019, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 7, 2020

**CHILDREN'S HEARTLINK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 938,118	\$ 998,251
Contributions and Other Receivables, Net	916,891	981,820
Prepaid Expenses	19,452	30,132
Property and Equipment, Net	181,403	143,644
Total Assets	\$ 2,055,864	\$ 2,153,847
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 29,462	\$ 55,829
Notes Payable	212,600	-
Accrued Payroll and Benefit Liabilities	16,601	31,141
Deferred Revenue	17,500	245,000
Total Liabilities	276,163	331,970
NET ASSETS		
Without Donor Restrictions:		
Undesignated	82,371	218,117
Board-Designated	152,200	152,200
Total Without Donor Restrictions	234,571	370,317
With Donor Restrictions	1,545,130	1,451,560
Total Net Assets	1,779,701	1,821,877
Total Liabilities and Net Assets	\$ 2,055,864	\$ 2,153,847

See accompanying Notes to Financial Statements.

**CHILDREN'S HEARTLINK
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Contributions	\$ 471,446	\$ 759,711	\$ 1,231,157	\$ 561,358	\$ 1,325,775	\$ 1,887,133
Donated Goods and Services	330,055	-	330,055	831,218	-	831,218
Special Events and Activities	1,034,096	-	1,034,096	1,065,377	-	1,065,377
Less: Costs of Direct Benefits to Donors	<u>(230,090)</u>	<u>-</u>	<u>(230,090)</u>	<u>(202,889)</u>	<u>-</u>	<u>(202,889)</u>
Net Revenues from Special Events and Activities	804,006	-	804,006	862,488	-	862,488
Interest and Other Income	1,471	-	1,471	3,459	-	3,459
Net Assets Released from Restriction	<u>666,141</u>	<u>(666,141)</u>	<u>-</u>	<u>576,173</u>	<u>(576,173)</u>	<u>-</u>
Total Revenue and Other Support	<u>2,273,119</u>	<u>93,570</u>	<u>2,366,689</u>	<u>2,834,696</u>	<u>749,602</u>	<u>3,584,298</u>
EXPENSES						
Program Related	1,605,371	-	1,605,371	2,466,958	-	2,466,958
Management and General	280,538	-	280,538	267,026	-	267,026
Special Events and Activities	119,945	-	119,945	98,035	-	98,035
Fundraising	403,011	-	403,011	336,195	-	336,195
Total Expenses	<u>2,408,865</u>	<u>-</u>	<u>2,408,865</u>	<u>3,168,214</u>	<u>-</u>	<u>3,168,214</u>
CHANGE IN NET ASSETS	(135,746)	93,570	(42,176)	(333,518)	749,602	416,084
Net Assets – Beginning of Year	<u>370,317</u>	<u>1,451,560</u>	<u>1,821,877</u>	<u>703,835</u>	<u>701,958</u>	<u>1,405,793</u>
NET ASSETS – END OF YEAR	<u>\$ 234,571</u>	<u>\$ 1,545,130</u>	<u>\$ 1,779,701</u>	<u>\$ 370,317</u>	<u>\$ 1,451,560</u>	<u>\$ 1,821,877</u>

See accompanying Notes to Financial Statements.

**CHILDREN'S HEARTLINK
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Related	Management and General	2020 Special Events and Activities	Fundraising	Total
Salaries and Wages	\$ 688,922	\$ 141,083	\$ 61,006	\$ 264,306	\$ 1,155,317
Employee Benefits	83,647	22,991	17,709	25,043	149,390
Payroll Tax Expense	58,739	8,269	5,173	22,280	94,461
Total Salaries and Related Expenses	<u>831,308</u>	<u>172,343</u>	<u>83,888</u>	<u>311,629</u>	<u>1,399,168</u>
Training and Education	154,672	1,108	3,246	14,471	173,497
Medical Supplies – Noncash	-	845	-	-	845
Travel Expenses	94,981	707	3,510	9,055	108,253
Professional Fees – Cash	119,827	90,383	5,622	14,492	230,324
Professional Fees and Consulting – Noncash	324,410	-	-	-	324,410
Depreciation	14,316	4,012	2,702	5,607	26,637
Office Expenses	17,393	1,344	13,865	6,058	38,660
Utilities	11,650	2,620	1,765	3,746	19,781
Repairs and Maintenance	9,519	2,668	1,797	3,728	17,712
Other Expenses	27,295	4,508	3,550	34,225	69,578
Direct Benefit to Donors	-	-	-	230,090	230,090
Total Expenses Including Direct Benefit to Donors	<u>1,605,371</u>	<u>280,538</u>	<u>119,945</u>	<u>633,101</u>	<u>2,638,955</u>
Less: Direct Benefit to Donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(230,090)</u>	<u>(230,090)</u>
Total Expenses	<u>\$ 1,605,371</u>	<u>\$ 280,538</u>	<u>\$ 119,945</u>	<u>\$ 403,011</u>	<u>\$ 2,408,865</u>
	60.9%	10.6%	4.5%	24.0%	100%

See accompanying Notes to Financial Statements.

**CHILDREN'S HEARTLINK
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Related	Management and General	2019 Special Events and Activities	Fundraising	Total
Salaries and Wages	\$ 668,357	\$ 123,671	\$ 58,800	\$ 210,713	\$ 1,061,541
Employee Benefits	75,918	10,331	8,400	25,961	120,610
Payroll Tax Expense	54,198	10,010	4,768	17,087	86,063
Total Salaries and Related Expenses	<u>798,473</u>	<u>144,012</u>	<u>71,968</u>	<u>253,761</u>	<u>1,268,214</u>
Training and Education	329,478	10,550	2,115	4,955	347,098
Medical Supplies – Noncash	19,797	-	-	-	19,797
Travel Expenses	231,293	2,441	5,791	109	239,634
Professional Fees – Cash	171,528	83,507	2,569	27,094	284,698
Professional Fees and Consulting – Noncash	811,422	-	-	-	811,422
Depreciation	13,361	2,407	1,293	3,361	20,422
Office Expenses	31,764	6,144	8,611	10,377	56,896
Utilities	16,496	2,290	1,420	3,243	23,449
Repairs and Maintenance	16,019	2,887	1,550	4,030	24,486
Other Expenses	27,327	12,788	2,718	29,265	72,098
Direct Benefit to Donors	-	-	-	202,889	202,889
Total Expenses Including Direct Benefit to Donors	<u>2,466,958</u>	<u>267,026</u>	<u>98,035</u>	<u>539,084</u>	<u>3,371,103</u>
Less: Direct Benefit to Donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>(202,889)</u>	<u>(202,889)</u>
Total Expenses	<u>\$ 2,466,958</u>	<u>\$ 267,026</u>	<u>\$ 98,035</u>	<u>\$ 336,195</u>	<u>\$ 3,168,214</u>
	73.2%	7.9%	3.0%	16.0%	100%

See accompanying Notes to Financial Statements.

**CHILDREN'S HEARTLINK
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (42,176)	\$ 416,084
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	26,637	20,422
(Increase) Decrease in Assets:		
Contributions and Other Receivables	64,929	(416,986)
Prepaid Expenses	10,680	11,125
Increase (Decrease) in Liabilities:		
Accounts Payable	(26,367)	(25,653)
Accrued Payroll and Benefit Liabilities	(14,540)	3,241
Deferred Revenue	(227,500)	(35,590)
Net Cash Used by Operating Activities	(208,337)	(27,357)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(64,396)	-
Net Cash Used by Investing Activities	(64,396)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	212,600	-
Net Cash Provided by Financing Activities	212,600	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(60,133)	(27,357)
Cash and Cash Equivalents – Beginning of Year	998,251	1,025,608
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 938,118	\$ 998,251

See accompanying Notes to Financial Statements.

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children's HeartLink (the Organization), founded in 1969 and headquartered in Minneapolis, Minnesota, is an international medical nonprofit organization. To save the lives of children with heart disease, Children's HeartLink partners with organizations to train medical teams, provide education, and transform health care in underserved parts of the world.

The principal activity of the Organization is to improve cardiovascular care for children in Brazil, China, India, Malaysia, and Vietnam. Children's HeartLink works in partnership with pediatric cardiac programs in these countries and focuses efforts on programs and training for medical personnel, including clinical, organizational and community capacity-building initiatives, direct treatment of children, and technical support.

The Organization's revenues come from a broad base of support from individual, corporate, and foundation donors, along with special-event fundraising activities.

Basis of Presentation

Children's HeartLink presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The financial statements have been prepared in accordance with accounting standards generally accepted in the United States of America. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor-restriction and net assets with donor-restriction, on the accrual basis of accounting. Accordingly, the Organization's net assets are classified in accordance with the absence or existence of donor-imposed restrictions as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. These net assets also include those funds that are designated for specific purposes by the board of directors as well as with donor restriction gifts which meet restrictions within the year they are donated.

With Donor Restrictions – Net assets include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets. When a time restriction expires or a purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released after satisfaction from restrictions.

At June 30, 2020 and 2019, the Organization had net assets with and without donor restrictions. Further, as of June 30, 2020 and 2019, there was a remaining balance of \$152,500 of board-designated net assets in the strategic initiatives reserve.

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. The Organization maintains cash accounts in commercial banks in the United States primarily at one financial institution. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC). At various times throughout the year, the Organization had cash balances in excess of FDIC insurance limits. The Organization has not experienced any losses on these accounts.

Contributions and Other Receivables

The Organization follows a policy of providing an allowance for uncollectible receivables; the allowance was \$9,118 and \$13,048 as of June 30, 2020 and 2019, respectively.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. As of June 30, 2020 and 2019, the discount to net present value was \$29,029 and \$42,192, respectively.

Property and Equipment

Property and equipment are stated at the lower of cost or fair value if purchased and the lower of fair value at date of the gift or current fair value if donated. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. The Organization's capitalization threshold is \$2,000.

Depreciation and amortization are computed on the straight-line basis over the assets' estimated useful lives as follows:

Buildings	39 Years
Building Improvements	5 to 10 Years
Furniture and Equipment	3 to 10 Years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use and eventual disposition of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue consists primarily of sponsorships received in advance of the annual gala event, which will be held subsequent to year-end.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Special event revenue consists of sponsorships and contributions. The exchange element of the special event revenue was approximately \$468,000 and \$603,000 for the years ended June 30, 2020 and 2019, respectively. The portion that is considered to be exchange revenue is recognized as revenue when the performance obligations are met which is the occurrence of the event.

Contributions and Pledges

The Organization reports gifts of cash and other assets as restricted support 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, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as Net Assets Released from Restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as with donor restrictions support and then released upon being spent.

The Organization reports gifts of land, buildings, and equipment as general support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Medical Supplies, Program Services, and Supporting Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization receives contributions of supplies, patient care services, and other supporting services. The estimated fair value of professional (primarily medical) services, which require specialized skills and would have been purchased if not provided by contributors, is reported as revenue and expense in the period in which the services are provided and totaled \$324,410 and \$811,422 for the years ended June 30, 2020 and 2019, respectively.

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Medical Supplies, Program Services, and Supporting Services (Continued)

Donated professional fees and consulting which consist of patient care and other supporting services on the statement of activities represent significant estimates to the financial statements, which may change in the near term.

Donated medical supplies and other donations are recognized as revenue when received at their fair value. Subsequently, they are valued at the lower of their current fair value or their fair value when donated. Expense related to donated medical supplies and other donations totaled \$5,645 and \$19,796 for the years ended June 30, 2020 and 2019, respectively.

In addition to the above, a substantial number of unpaid nonprofessional volunteers have made significant contributions of their time to the Organization. The value of this contributed time is not reflected in these statements since the value, while clearly substantial, does not meet the standards for recognizing donated services.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. When possible, expenses are charged to program costs or supporting services based on direct expenditures incurred. Any expenses that are not directly chargeable, such as salaries are allocated to program costs or supporting services based on management's estimates of how employees utilize their time. Beginning in fiscal year 2020, a new payroll system will be put in place to directly monitor how much time employees spend on each program so that salary expenses can be allocated more accurately. Fundraising and special events costs totaled \$522,956 and \$434,230 for the years ended June 30, 2020 and 2019, respectively, exclusive of the costs of direct benefits to donors for the special events and activities. The Organization conducted activities that included requests for contributions as well as program related components.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Although estimates are considered fairly stated, actual results could differ from those estimates.

Tax-Exempt Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state statutes. However, income from certain activities not directly related to the Organization's tax-exempt purpose could result in taxable income. The Children's HeartLink follows guidance in the income tax standard regarding the recognition of uncertain tax positions. The Organization has identified no significant income tax uncertainties and has no current obligation for unrelated business income tax.

The Organization had no income tax expense or cash payments for income taxes for the year ended June 30, 2020.

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through December 7, 2020, which is the date that the financial statements were available to be issued.

Change in Accounting Principles

In June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organization's financial statements reflect the application of ASU 2018-08 guidance beginning in fiscal year 2020. The adoption of ASU 2018-08 did not impact the Organization's reported revenue.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization had a modified retrospective adoption to the ASU beginning in fiscal year 2020. The adoption of Topic 606 did not impact the Organization's reported revenue.

Liquidity and Availability

The following table reflects the Organization's financial assets as of June 30, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include contributions receivable due in over one year.

	2020	2019
Financial Assets:		
Cash and Cash Equivalents	\$ 938,118	\$ 998,251
Grant and Contributions Receivable, Net	916,891	981,820
Total Financial Assets	1,855,009	1,980,071
Less: Net Assets with Donor Restrictions	(1,545,130)	(1,451,560)
Plus Time-Restricted Net Assets Available Within One Year	490,288	481,670
Financial Assets Available to Meet Cash Needs for General Purposes Within One Year	\$ 800,167	\$ 1,010,181

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity and Availability (Continued)

The Organization's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due. Cash in excess of daily requirements is typically invested in short-term liquid securities (sweep account). Subsequent to year-end, the Organization has secured a \$100,000 line of credit that can be drawn down if needed to cover operating expenses.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building	\$ 300,000	\$ 300,000
Building Improvements	124,669	82,899
Furniture and Equipment	78,899	59,828
Subtotal	<u>503,568</u>	<u>442,727</u>
Less: Accumulated Depreciation	<u>(322,165)</u>	<u>(299,083)</u>
Property and Equipment, Net	<u>\$ 181,403</u>	<u>\$ 143,644</u>

NOTE 3 LEASE OBLIGATIONS

The Organization leases storage space and office equipment under cancelable and noncancelable operating leases. The Organization is obligated to pay costs of insurance, taxes, repairs, and maintenance pursuant to the terms of the leases. Lease expense was \$3,260 for the years ended June 30, 2020 and 2019.

The Organization's building was gifted to it and as part of the gift; it is required to pay for the maintenance of the parking lot. The Organization has a commitment to pay an unrelated party \$1,200 per month as long as it remains in the building. If it were to move or sell the building, the commitment would stay with the building and move to the new owner.

Future minimum lease payments due under noncancelable operating leases with terms greater than one year as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 2,770
2022	320
2023	240
Total	<u>\$ 3,330</u>

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS

With Donor Restrictions

Net assets with donor-restrictions are restricted for various purposes and consist of the following at June 30:

	2020	2019
Program Services:		
China	\$ 121,465	\$ 37,656
Southeast Asia	452,558	437,392
Time Restrictions	971,107	976,512
Total	\$ 1,545,130	\$ 1,451,560

Net Assets Released from Donor Restrictions

Net assets released from donor restrictions consist of the following for the years ended June 30:

	2020	2019
Program Restrictions Accomplished:		
China	\$ 16,191	\$ 103,757
Southeast Asia	229,190	273,738
Other Program Restrictions	47,178	71,178
Time Restrictions	373,582	127,500
Total	\$ 666,141	\$ 576,173

NOTE 5 DONATED GOODS AND SERVICES

Donated goods and services are reflected as a contribution in the financial statements at their estimated value at the date of receipt and include the following at June 30:

	2020	2019
Donated Medical Devices	\$ -	\$ 19,796
Donated Other	5,645	-
Donated Professional Services	324,410	811,422
Total	\$ 330,055	\$ 831,218

NOTE 6 RETIREMENT BENEFITS

The Organization has established a 403(b) retirement plan, which covers all employees who have been employed by the Organization for at least one year and are at least 21 years old. Matching contributions are made at 50% of employee contributions up to 6% of the employee's compensation. Matching contributions of \$36,113 and \$24,057 were made for the years ended June 30, 2020 and 2019, respectively.

**CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 CONCENTRATIONS

Two donors and three donors constituted approximately 41% and 44% of the contribution revenue for the years ended June 30, 2020 and 2019, respectively.

For the years ended June 30, 2020 and 2019, 34% and 24% of total revenue came from special events and activities, respectively.

For the year ended June 30, 2020, three donors constituted approximately 82% of receivables. For the year ended June 30, 2019, three donors constituted approximately 63% of receivables.

NOTE 8 CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2020 and 2019 are expected to be collected as follows:

	<u>2020</u>	<u>2019</u>
Amounts Due in:		
Less than One Year	\$ 490,288	\$ 481,670
One to Five years	426,603	500,150
Total	<u>\$ 916,891</u>	<u>\$ 981,820</u>

NOTE 9 RELATED PARTY TRANSACTIONS

Children's HeartLink received contributions from those who were board members and employees at any time during the year totaling \$360,428 and \$478,096 for the years ended June 30, 2020 and 2019, respectively.

NOTE 10 LINE OF CREDIT

On August 1, 2019, the Organization entered into a \$100,000 line of credit agreement. The original agreement expired on August 1, 2020. The line was renewed on September 18, 2020 and was extended through November 1, 2020. The outstanding principal balance on the line of credit bears interest at 5.75%. As of June 30, 2020, there was \$-0- outstanding on the line of credit.

CHILDREN'S HEARTLINK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 NOTES PAYABLE

On April 13, 2020, the Organization received a loan in the amount of \$212,600 to fund payroll, rent, and utilities through the federal Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020 principal interest payments will be required through the maturity date in April 2022. The Organization has used funds in accordance with the parameters of the program and expects significant, if not full, forgiveness of the loan.

NOTE 12 RISKS AND UNCERTAINTIES

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. As a result, COVID-19 may impact various parts of the Organization's 2021 operations and financial results including contributions and various expenses. Management believes that the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.